German stock market	European Fighter Aircraft	French referendum	North Korea
Still no room for euphoria	*A project in limbo*	*Can Mitterrand survive a No vote?*	*The glacier begins to melt*
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NEWSPAPER of THE YEAR

FINANCIAL TIMES

Wednesday September 16 1992 EUROPE'S BUSINESS NEWSPAPER D8523A

Bosnia agrees to talks as more join UN force

Bosnian leaders reluctantly agreed to attend *peace talks in Geneva on Friday, but fighting* continued across the former Yugoslav republic. Britain said it was sending 1,800 troops to join an expanded UN force in Bosnia. But the UN Security Council's post cold war unanimity seemed fragile last night as Russia insisted it would oppose any move to exclude Yugoslavia from the general assembly. Page 4; Editorial comment, Page 14

Castor Holdings: Several European banks *and individual investors could lose heavily from* their exposure to Castor, the Montreal-based property company at the centre of a group controlled by financier Wolfgang Stolzenberg. Page 17

German steelmakers Fried. Krupp and Hoesch vowed to press on with merger moves despite a German court *ruling which has thrown a last*-minute legal obstacle in the path of their amalgamation plan. Page 17

Olympia & York, troubled Canadian property developer, is selling a New York building to Mutual of America Life Insurance Company. Mutual is believed to be paying over $100m.

Pakistan flood toll: More than 1,000 people are believed dead in *one of Pakistan's worst floods*. More flooding last night threatened the southern province of Sindh. Page 6

Facing probe: Japanese prosecutors are insisting that Shin Kanemaru (left), "king-maker" of the country's ruling Liberal Democratic party, *undergo* investigation into whether he breached *political funding laws* when he received Y500m ($4.1m) from a trucking company. Page 16

BHP takes control: BHP, Australia's biggest company, is taking effective control of troubled *international brewer Foster's in a deal worth* about A$1.5bn ($1.1bn). Page 17

Australia protests: Australia criticised the US for selling heavily-subsidised wheat to Pakistan, one of Australia's traditional markets. Page 7

Oil deal worth $1.7bn: *Saipem, a specialist* oil engineering company controlled by Italy's state-owned ENI energy group, has signed a $1.7bn deal to help develop Iran's half of a big offshore field shared with Qatar in the Gulf. Page 7

Skandia, Swedish insurer, is selling US specialist insurer *Great States Financial Corporation* to FHP International Corporation of the US. Page 18

Hong Kong criticised: British companies are being unfairly favoured by the Hong Kong government for work on the colony's new airport project, a senior Chinese state construction company official complained. Britain and China meet today to try to break the deadlock over financing the project. Hong Kong gains, Page 36

Scottish bank rescue: Small Scottish private banking group Adam & Company has been rescued after the bank lost £21m ($41.4m) from dealings in foreign currency futures. Page 23

Bombay stocks surge as rules change

Indian stocks soared *after the announcement* of rules for opening the country's capital markets to foreign investors. The Bombay stock exchange *index leapt by 4.1 per cent on investors' hopes* that the rules would prompt a wave of foreign investment. Page 6; World stocks, Page 36

Arjo Wiggins Appleton, *the* troubled Anglo-French paper group, unexpected cut its dividend by 19 per cent to 2.65p a share, sending the group's *shares down from 182p to 129p*. Page 17; *Lex*, Page 16

Sparring partners: A quarrel between Australian business partners in Sydney turned ugly when one man had part of his nose bitten off after sinking his teeth into the other's thumb.

STOCK MARKET INDICES

FT-SE 100	2,378.0	(-52.1)
Yield	5.13	
FT-SE Eurotrack 100	1051.69	(-22.10)
FT-A All-Share	1,118.89	(-1.9%)
FT-A World Index	141.36	(-1.0%)
Nikkei	closed	
New York:		
Dow Jones Ind Ave	3,327.32	(-48.9)
S&P Composite	419.76	(-5.51)

US CLOSING RATES

Federal Funds	3¼%	(same)
3-mo Treas Bills: Yld	2.972%	(2.94)
Long Bond	99⅛	(99⅞)
Yield	7.317%	(7.254)

LONDON MONEY

3-mo Interbank	10¼%	(10⅞%)
Liffe long gilt future:	Sep 96⅞	(Sep 96¼)

NORTH SEA OIL (Argus)

Brent 15-day (Oct)	$20.65	(20.7)

Gold

New York Comex (Sept)	$346.4	(346.8)
London	$346.65	(346.55)

STERLING

New York:		
$	1.8825	(1.8945)
London:		
$	1.8715	(1.8925)
DM	2.78	(2.8125)
FFr	9.4375	(9.5275)
SFr	2.46	(2.49)
Y	232.5	(235)
£ Index	90.9	(91.6)

DOLLAR

New York:		
DM	1.4915	(1.48215)
FFr	5.064	(5.0265)
SFr	1.3195	(1.31365)
Y	124.3	(124.2)
London:		
DM	1.4865	(same)
FFr	5.0425	(5.035)
SFr	1.3145	(1.3155)
Y	124.25	(124.2)
$ Index	60.6	(60.7)

Tokyo close Y 124.88

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr160	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils 600	Poland	Zl 19,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00

German news agency report claims Schlesinger backs wider currency realignment

Bundesbank chief in ERM row

By Peter Marsh and James Blitz in London and Quentin Peel in Bonn

THE German Bundesbank was last night at the centre of a renewed controversy after reports that Mr Helmut Schlesinger, its president, had said that a more comprehensive realignment of European currencies might reduce tension in the turbulent currency markets.

The statement, reported by DPA, the main German political *and economic news agency*, was denied late last night by a spokesman for the German *central bank*.

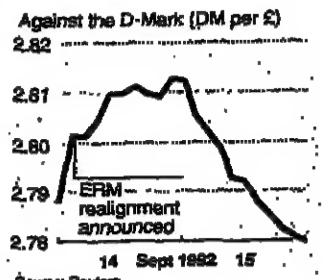
The reported statement came from an interview given by Mr Schlesinger to *Handelsblatt*, the German business newspaper, and the Wall Street Journal, at the end of a day which saw the pound plunge to its lowest level ever within the ERM against the D-mark and Mr John Major, the UK prime minister, cancel a trip to Spain at 24 hours notice.

UK officials at the Treasury and the Bank of England made hurried phone calls last night to clarify Mr Schlesinger's reported remarks.

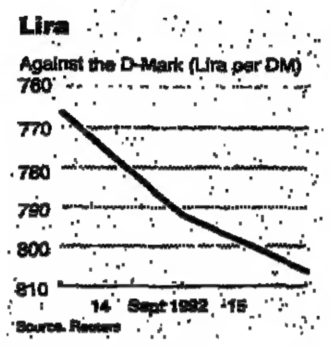
According to DPA, Mr Schlesinger said that the measures taken so far have not resolved all the problems in the markets.

The Bundesbank chief was reported to suggest that the weekend realignment of the Italian *lira had not gone far enough* and that a wider realignment could have been more effective in *reducing tensions in the currency* market. He did not rule out continuing pressure on individual currencies.

Sterling



Lira



"This statement is no author*ised version of the interview*," a spokesman for the Bundesbank said last night after consulting Mr Schlesinger.

"The president did not say it in that way," said the spokesman, "or mean it in that way. The words were suggested to him and he did not answer them." An authorised version of the interview would appear in the Wall Street Journal said the spokesman.

The reported statements by the Bundesbank president nevertheless reflect what is widely regarded as a common view in the German central bank, but one which the bank has been careful never to express publicly.

This is the second time in recent days that reported statements by the Bundesbank on the need for currency realignments have had to be hurriedly denied.

Last night Mr Hans Mundorf, *the editor-in-chief, of Handelsblatt* said: "This interview took place and was conducted by the *head of our currencies* and capital markets staff. I have no doubt in the correctness of the information he gave to DPA."

Mr Schlesinger's reported comments are likely to intensify pressures on the weak currencies in

Continued on Page 16

ERM AND MAASTRICHT

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- French opposition looks to election battle
- Time for prayer in Mitterrand camp
- Waigel denies government interference on rate cut
- Gloom spreads as Italy ponders devaluation
- Lira 'still overvalued'
- Austrian central bank backs German move

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Major cancels official visit to Spain

By Ivo Dawnay in London

MR JOHN MAJOR yesterday cancelled an official visit to Spain, 24 hours before he was due to fly out, in a move which heightened nervousness in London over the depth of the government's economic difficulties.

The prime minister's unusual step put further pressure on the pound, which fell to a new low in the exchange rate mechanism, at one point dropping to within a tenth of a pfennig of its floor.

It also provoked fresh speculation that the government has difficulties in reaching agreement on the 1993-94 public expendi*ture round, due to be discussed* by the newly-formed chancellor's committee on Thursday.

The prime minister's office insisted that the eleventh-hour decision to postpone Mr Major's *visit to Seville's Expo 92 exhibi*tion had nothing to do with sterling but was to meet the pressure of business on his diary.

Officials said the newly evolved system for managing public expenditure was "new territory" for the government which warranted close attention from the prime minister.

It was also added that he would be using the time to examine the spending implications of new local taxes and plans for the new BBC charter.

But the explanations were greeted with widespread scepticism. One Conservative MP, Mr Richard Shepherd, warned that *the impression was that the gov*ernment was "losing control of the economy".

The Labour opposition seized on the cancellation as a tacit admission by the government of the dire state of the economy.

Independent observers suggested Mr Major may have calculated that it was better to risk market unease at the cancellation of the trip than to be absent abroad when the economy was under intense pressure.

With the Treasury continuing to insist that the government *will use* any *means* necessary to maintain sterling's ERM position, an interest rate rise cannot *be ruled out*.

Some MPs recall the humiliation for the Labour government *in 1976 when* Mr Dennis (now Lord) Healey, the chancellor, was forced to return from Heathrow to tackle an economic crisis.

Mr Major is expected to use the breathing space in London to bring pressure to bear on spending ministers to moderate their plans for the coming year.

Major pressed by employers, Page 2

No way out from tough decisions, Page 14

Rome plans tough budget to tackle crisis

By Robert Graham in Rome

THE Italian government has *begun toughening* the 1993 budget and preparing new measures to tackle the country's financial crisis following a wave of criticism over the devaluation of the lira.

The moves have come against the background of renewed pressure on the lira, nervousness on the Milan stock exchange and a slight rise in short-term interest rates after Monday's dip in the wake of devaluation.

The government's original intention in July was to find an extra L83,000bn ($70bn) in the 1993 budget to contain the public sector deficit, but this has been overtaken by events.

High interest rates in defence of the lira have added to the cost of funding the deficit, while the *concerted wave of speculation* against the Italian currency has emphasised that only a tough *budget will restore some credibil*ity in the markets.

On present trends economists estimate the government would *have to find at least L100,000bn* in fresh revenues and spending cuts. But if interest rates do not drop this may only hold the deficit down to 10.5 per cent of GDP – almost double the EC average.

Among the measures being contemplated are an immediate deindexation of the costly state pensions scheme and the capping of government health spending.

President Oscar Luigi Scalfaro stepped into the ring yesterday with his own advice. After a meeting with Mr Giuliano Amato, the prime minister, he threw his weight behind an austerity package and reminded Italians that the crisis required "the maximum understanding from the politicians and society in gen*eral which will be called upon to* bear the necessary burden".

The president proposed that *the government introduce as* soon as possible two laws to signal that the burden of sacrifice falls equably – a law dealing with political corruption and a law to end the pay privileges of board members of state concerns who have been *removed* from their jobs. The meeting also appeared designed to show the president's backing for the prime minister as *a series of rumours* swept Rome yesterday that the government was about to resign.

Monday's devaluation appears to have brought home to Italians just how far behind their country has fallen in its attempts to meet EC convergence requirements.

Giovanni Goria (left), the Italian finance minster, addresses the Senate in Rome yesterday about Sunday's 7 per cent devaluaton of the lira in the ERM grid

Drop in US retail sales a blow to Bush

By Michael Prowse in Washington

US RETAIL sales fell far more steeply than expected by the *financial markets yesterday, rein*forcing the Bush administration's fears that the economy will be *stagnant in the final stages of the* presidential race.

The Commerce Department announced that retail sales had fallen 0.5 per cent in August, the largest drop for five months.

"The economy is dead in the water," said Mr Bruce Steinberg, senior economist at Merrill Lynch, the New York financial services group.

The recovery's failure to gather momentum showed that struc*tural weaknesses, such as the* debt build-up of the 1980s, were more profound than had been *suspected, he said*.

Preliminary figures for car sales in the first 10 days of September were also disappointing. Results from General Motors and Ford indicated sales of domestically built vehicles were running at an annual rate of only 5.7m units, against the already depressed level of 6m at the end of last month.

The economy had "no real engine" for recovery, Ms Susan Phillips, a governor of the Federal Reserve, said. Consumers were hesitant because of fears about job security. "Everybody has a brother-in-law or sister-in-law or knows somebody" *who has lost a job, she said*.

The weakness in retail sales was concentrated in durable *goods, especially cars, building* materials and furniture, which all fell by more than 1 per cent *relative to July*.

The impact of last month's figures, however, was reduced by an upward revision for July to show an increase in retail sales of 1 per cent rather than 0.5 per cent. Overall sales for July and August were slightly ahead of the second quarter level.

Most forecasters believe the economy *is* still growing sluggishly at about the 1.4 per cent annual rate registered in the second quarter. But *this is* well below earlier expectations and insufficient for President George *Bush to claim a convincing* recovery ahead of the November election.

*Slow growth, however, is put*ting downward pressure on inflation. The consumer price index rose 0.3 per cent last month, with much of the rise reflecting a sharp increase in volatile food prices, the Labour Department reported yesterday. The annual rate of consumer price inflation fell to 3.1 per cent compared with 3.2 per cent in July.

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n parliament address

elors seeks greater EC democracy

By David Gardner in Strasbourg

THE survival of the European Community depends on its becoming more democratic, Mr Jacques Delors, European Commission president, said yesterday. His speech to the European parliament emphasised a much greater role for national parliaments in monitoring EC decisions.

"Either Europe will become more and more democratic. . . or Europe will be no more," he stated flatly, adding that this was "the major lesson" of the battle to ratify the Maastricht Treaty, which can *survive only if French voters* endorse it by referendum on Sunday.

Addressing a ceremony *marking the 40th anniversary* of the parliament, Mr Delors nevertheless addressed himself to the workings of EC democracy in a way which confidently assumed the treaty will survive. He said that "the benign despotism" of EC institutions was over – a period in which the Commission in complicity with the 12 member states took decisions against a background of popular indifference, with a let-out clause for governments to blame Brussels if policies misfired.

After an exposition of the ways in which Maastricht will strengthen the European parliament's control over both Brussels and the member states legislating through the Council of Ministers, he repeatedly stressed the need for *national parliaments to hold* EC lawmakers to account.

"We must join together these two expressions of popular sovereignty in a rational way, which is simple, accessible and reinforces the legitimacy of our institutions," he said.

Mr Delors' remarks, anticipated privately by Commission officials, presage attempts at EC level to draw national parliaments more closely into EC decision-making. The purpose is to develop "subsidiarity" – the idea that decisions should be taken at the lowest practicable level.

Assuming France does not follow the example of Danish voters in June, and approves Maastricht, the emphasis on national parliaments is also aimed at bringing Denmark back on board.

"We must exploit the legitimacy of national parliaments through ways and means which depend on each country," a Commission official said. "The idea that the European parliament is the only source of democratic legitimacy in the Community is dead, and for a long time."

Mr Tristan Garel-Jones, minister of state at the British Foreign Office who represented the UK presidency of the EC at the ceremony, also took up the *theme of national parliaments'* role, embedded in a thorough defence of Maastricht. "One of the benefits of the Maastricht Treaty is that it does enjoin national parliaments and this parliament to find ways of working together," he said.

French opposition looks ahead to election battle

By William Dawkins in Paris

FRANCE'S divided political opposition yesterday prepared to close ranks in readiness for a widely expected election battle against the ruling Socialists some time after Sunday's vote on European political and monetary union.

Mr Philippe Séguin, leader of the anti-Maastricht majority in the Gaullist RPR party, yesterday tendered a rare olive branch to Mr Jacques Chirac, party president, who has put himself *out on a limb in the RPR* by supporting the treaty.

Mr Chirac was the best equipped to tackle the opposition's splits over Europe and had his support as RPR candidate for future French president, said Mr Séguin.

Mr Chirac yesterday issued his own appeal for party unity. "No new *majority* can be formed from a cartel of the Noes," he said. "The UDF-RPR union will tomorrow be the only political force able to bring together the French. Let us be careful to do nothing which might destabilise this force."

Mr Philippe de Villiers, an anti-Maastricht rebel in the centre-right UDF, the Gaullists' allies, added that he would return to the party rank and file after the vote.

Mr Séguin's outburst of loyalty to Mr Chirac contrasts with his previous two attempts to oust the RPR leader and suggests that opposition rebels have begun to take seriously the possibility that President François Mitterrand might spring a snap general or even presidential election.

According to Le Monde newspaper, the French president is debating with officials his possible retirement next January, five years into his current term and the opening date for the single European market, in the event of a Yes vote. This is only the latest twist in weeks of speculation on Mr Mitterrand's future, heightened a few days ago by his entry to hospital for prostate surgery.

Senior UDF and RPR officials have agreed to meet after the Sunday vote to prepare the ground for the joint election of a presidential candidate and for a general election campaign.

Mr Mitterrand's popularity, at 29 per cent according to a poll by Ipsos a week ago, is well below that of Mr Michel Rocard, the former prime minister adopted by the Socialist party as its "natural" future presidential *candidate. Mr Rocard* is well placed to beat any presidential candidate fielded by the right.

However, polls suggest that the Socialist party's popularity is low enough for an RPR-UDF alliance to win a general election, even enfeebled by the splits opened up in the opposition by the Maastricht debate.

Yet both opposition parties know they need to smooth over their divisions as best they can, given the growing share of protest votes attracted by alternative groups such as the two ecology parties and the National Front, which won a combined 28 per cent in the March regional elections.

Neither the UDF nor the RPR have plans for reconciling their internal differences on Europe, despite their leaders' repeated attempts to settle the European problem. Mr Séguin yesterday made light of the internal splits, arguing that they had strengthened the RPR by giving the image of "a modern political movement with freedom to discuss and vote".

Some RPR members maintain that Mr Chirac need not have split his party over Europe, since he does not have strong personal views on Maastricht.

However, Mr Chirac may have calculated that he would have no chance of becoming joint RPR-UDF presidential candidate on an anti-Maastricht ticket, in competition against former French president Mr Valéry Giscard d'Estaing, the deeply pro-European leader of the UDF. While the UDF rank and file is nearly as divided on Maastricht as the RPR, the centre-right's leadership is united in favour of the Maastricht treaty.

Time for prayer in Mitterrand camp

A No vote would put the president under great pressure to resign, writes Ian Davidson

THE primary issue at stake in next Sunday's French referendum is the life or death of the Maastricht Treaty on European union; but a vote against the treaty would also have explosive effects on the French political scene, and could even determine the political sur*vival of President François Mitterrand.*

If the French vote against Maastricht, the treaty will undoubtedly be dead. But the implications of a No vote for Mr Mitterrand are less easy to predict.

It is commonly assumed that Mr Mitterrand's personal unpopularity has been responsible for the swing in opinion polls against the treaty. The *government's fear* is that the Mitterrand factor could become a decisive consideration in the polling booths on Sunday, so that many who might have voted Yes to Europe may instead decide to vote No to Mitterrand.

Hindsight suggests that it was reckless of Mr Mitterrand to have chosen to put the treaty to a popular referendum. After all, the normal route for ratifying a treaty, as provided in the French constitution, is a law submitted to parliament. A popular referendum is a perfectly legitimate alternative, but it is not inevitable.

Moreover, when Mr Mitterrand announced in June that he would call a referendum, his deep unpopularity, as registered in the opinion polls, had been virtually constant since he appointed Mrs Edith Cresson as prime minister in the spring of last year, and his own standing had remained deeply depressed even after he replaced her with the more popular Mr Pierre Bérégovoy. He must have been aware of the danger that he could drag down the treaty.

Yet it has been clear for over a year that Mr Mitterrand intended to hold a referendum this autumn, precisely as a way of restoring his battered personal authority. He needed to stake out a political battleground on which he could take on, and with luck defeat, his political adversaries; and such *a battleground could* only be an issue of high political principle.

Last November he indicated that he would put forward a reform of the constitution, including some form of shortening of the presidential mandate (currently seven years renewable).

That project now appears to have been shelved, or at least postponed, as a result of the decision to hold a Maastricht referendum. But in tactical political terms, the only thing which has changed is the question being submitted to the voters. In both cases, he evidently thought, not without reason, that a referendum would embarrass the opposition parties, but could nevertheless be counted on to produce a Yes vote.

Most mainline political leaders in France have long argued for some shortening of the presidential term; and most mainline political leaders have now come out in favour of the treaty, even though it has exposed passionate divisions within the Gaullist party.

But if Mr Mitterrand thought he could restore his authority by picking a high political issue for a test of strength with his adversaries, his calculations seem now to be in double jeopardy.

A French No vote would obviously represent a rejection of Mr Mitterrand's vision of a quasi-federal Europe, to which he is deeply committed; but it would also look like a disavowal of the president himself. With a large No vote, the disavowal would be profound, and *must place him* under considerable pressure to resign.

But would he? By temperament (health permitting) Mr Mitterrand is a fighter, a lawyer and a European; and each of these characteristics will tell him to stay.

He is a legalist, who frequently and pointedly reminds audiences that he was elected for seven years, and by implication intends to stay to the end of his term by which time he will be 77. His commitment to European integration is the most constant element in a very long political career.

He might therefore decide that duty required him to remain at his post, so as to rescue the irrational mess created by a No vote; that the powers of the French presidency and the remaining two *years of his mandate still* gave him enough space to do so; and that resignation would be a major betrayal of France and of Europe, because it could create the opportunity for the election of the Gaullist leader Mr Jacques Chirac, who has no firm convictions on Europe, and half of whose party is deeply hostile to the Community model.

But Mr Mitterrand might *draw the opposite conclusion.* After a large No vote, he might no longer have the credibility, either at home or abroad, to engage in any operation to put together a substitute for the ruined Maastricht Treaty; the general election next March is likely to produce a conservative government with a Gaullist prime minister and an overwhelming majority; and in any case a post-Maastricht recovery could take much longer than the two years remaining to him.

According to this logic, his only remaining strategy is a Parthian retreat; he may be able to serve the European cause better by leaving than by staying. If he were to resign suddenly, the Socialist party would quickly be able to endorse a strong single candidate: most probably the former prime minister Mr Michel Rocard, or perhaps Mr Jacques Delors, EC Commission president. But the conservatives would be caught divided, and would probably go into the campaign with several rival candidates, including Mr Chirac and former President Valery Giscard d'Estaing.

In the resulting melée, the Socialist candidate might well win, and would certainly call early general elections. And unlikely as it may seem today, a convincing presidential victory by a socialist president could well have the effect of transforming the outcome in the general elections.

The most recent analysis of voting intentions leaves Mr Mitterrand with a deep dilemma. On the one hand, it indicates that his personal unpopularity is only a marginal factor in the recent anti-Maastricht swing in the opinion polls; on the other, it would seem to indicate a serious indictment of his performance, if a majority of voters should turn against a European treaty in which he passionately believes.

The central finding of the analysis, by Mr Jerôme Jaffré of the Sofres polling institute, is that virtually all (93 per cent) of those who are in favour of the treaty will vote Yes, whether they are socialist or conservative, while virtually all those who are against the treaty will vote No, again regardless of their political affiliation.

If Maastricht is threatened by a Mitterrand factor, it only comes from the 20 per cent who do not believe the treaty will make any difference: in this camp, 66 per cent of conservative voters will vote No; only 65 per cent of socialist supporters will vote Yes; but socialist supporters will vote No if they have lost confidence in Mr Mitterrand.

In the circumstances, the president has only one good option: to pray for a Yes vote.

François Mitterrand: by temperament a fighter, a lawyer and a European

Defence issue fails to heat the debate

By David Buchan in Vincennes

"I DON'T know why they did not say more about defence," said a puzzled French naval officer after a two-hour rally in Vincennes, east of Paris, on Monday night. Speakers including ex-President Valéry Giscard d'Estaing and other pro-Maastricht UDF leaders mentioned not a word about the treaty's provisions for common European defence.

Defence has, indeed, been the dog that did not bark in the referendum campaign. Last year France fought successfully, chiefly against the Atlanticist UK and Dutch governments, to include language in the treaty which could presage the eventual replacement of Nato by the Western European Union (WEU), as the military arm of the European Community. Yet, come the referendum, this diplomatic success seems to have neither added to the Yes camp nor detracted from the No forces.

Mr Pierre Bérégovoy, the prime minister, tried to kick the issue into life with a speech to France's defence college, lauding the Maastricht treaty as "an additional guarantee for lasting peace".

His defence minister, Mr Pierre Joxe, followed up with a Le Figaro article in which he warned that a No to Maastricht "would clearly halt the dynamic" towards closer European military collaboration.

But the word security in the French referendum campaign has tended to become diffused in more immediate concerns such as police security against the spread of the Mafia in a frontierless Europe. Where it has taken on a more concrete military meaning, it has become identified with the Community's failure to send sufficient forces to pull warring former Yugoslavs apart.

The theme of Maastricht as keeper of the peace is easily satirised. "Is it really likely that Germany will take back Alsace and Lorraine, Britain reoccupy the Guyenne, Italy the region of Nice or even Luxembourg Thionville?," wrote ex-General Pierre Gallois, once one of France's leading nuclear theoreticians and a staunch Maastricht opponent, in Le Figaro last week.

But the debate has been a sideshow. Few seem to care much one way or another about Maastricht's defence provisions.

A rejection of Maastricht would prompt two possible conclusions. Either, the French electorate is not as anti-American in security matters as many of its leaders have assumed. Or, these very leaders will have made an historic mistake, comparable to France's rejection in 1954 of the European Defence Community.

NEWS IN BRIEF

Yes vote may help Denmark – PM

A YES in France's referendum on the Maastricht treaty would generate goodwill among the EC countries for finding a solution to the problem caused by Denmark's rejection of the treaty in a referendum in June, writes Hilary Barnes in Copenhagen.

This view was expressed by Mr Poul Schlüter, the prime minister, *after a cabinet meeting yesterday.*

However he also suggested that a sizeable No vote would be equally helpful to Denmark, hinting that it would soften up the attitude of other governments towards reaching an agreement with Denmark.

"One thing is certain: the treaty will not come in to effect on January 1, 1993," he said. This was not only because of the Danish problem, but because the EC's budget measures must be agreed upon before the treaty could be implemented.

No 'would boost Germany'

A French No to the Maastricht treaty will strengthen Germany's and the Bundesbank's roles in Europe, Mr Aníbal Cavaco Silva, the Portuguese prime minister, said in an interview with the Oporto-based Jornal de Noticias published yesterday, writes Patrick Blum in Lisbon.

"Some say that the Maastricht treaty favours German power. I think the exact opposite. From the point of view of monetary policy, a No to Maastricht would leave all room for manoeuvre to *Germany and its central bank. Without Maastricht, Germany will* command much more power in Europe," Mr Cavaco Silva said.

A French rejection of Maastricht would be "dramatic for the whole of Europe and it will naturally have negative consequences for Portugal".

Odds slashed on Yes vote

The British bookmaker Ladbrokes yesterday slashed its odds on a Yes vote in Sunday's French referendum on Maastricht after a flurry of betting that the treaty would be endorsed, Reuter reports from London.

The odds for a Yes were cut from 2 to 5 to 1 to 5, while punters betting on a No vote could get odds of 3 to 1. "We have been swamped with bets for a Yes vote since first thing Monday," a Ladbrokes official said.

Union leader invited to social affairs talks

By David Goodhart and Catherine Milton

MRS Gillian Shephard, the UK employment secretary, has invited Mr Norman Willis, president of the European Trades Union Congress (Etuc), and Mr Carlos Ferrer, president of Unice, the European employers' body, to the European Community Social Affairs Council meeting at Chepstow in October.

Mr Willis, who is also general secretary of the British TUC, is seldom invited to meet ministers as head of the TUC, and will certainly attend the informal meeting. Mrs Shephard is expected to lead a discussion on employment and unemployment.

Mr Willis, as Etuc president, was *also last night meeting* Mr John Major, the UK prime minister and president of the EC Council of Ministers, to call for an emergency meeting of EC finance and employment ministers to plan how to combat unemployment within the EC.

At the only formal Social Affairs Council meeting during the British presidency, in December, a final agreement is expected on the controversial working time directive. The directive was watered down earlier this year to meet objections from the UK government but was then blocked by a technical dispute between the French and Germans.

TUC officials believe that the French manufactured the dispute to avoid agreeing the watered-down directive prior to the French referendum on the Maastricht Treaty, which would have provided more ammunition to anti-Maastricht views on the left.

In December the French are expected to agree the directive.

● Mr Emilio Gabaglio, Etuc general secretary, yesterday called for a Yes vote in France, Reuter reports from Brussels.

"We believe in what Maastricht is trying to achieve and we call on workers all over Europe to support it," he told a news conference.

The treaty was flawed, but better than nothing as a basis for securing a better working life, he said. A No vote would be dangerous encouragement for the extreme nationalist movements which are on the rise in Europe, and would send the wrong message to east European countries wanting to join the Community.

He said he was disappointed that Britain had so far called only one meeting of social affairs ministers during its six-month term. He called this part of a strategy in London to hamper adoption of EC-wide social legislation.

Britain has opted out of provisions on social legislation in Maastricht but Mr Gabaglio said he still hoped Britain would act impartially in its chairing of EC meetings.

Trevor Humphries

John Major and Norman Willis: rare meeting between a British premier and TUC leader

UK premier urged to pursue growth

By Michael Cassell, Business Correspondent

EUROPEAN employers yesterday urged Mr John Major, the British prime minister, to look beyond Sunday's French referendum on the Maastricht treaty and use Britain's EC presidency to pursue policies for longer-term economic growth in Europe.

Representatives of Unice, the confederation of employers' organisations, asked Mr Major at a Downing Street meeting to give priority to completion of the EC single market and to seek agreement in the Uruguay Round of the General Agreement on Tariffs and Trade.

Although the meeting was billed as an opportunity to press for action to stimulate recovery across Europe, Unice did not discuss turmoil in the currency markets or request concerted moves to cut European interest rates.

Mr Howard Davies, director general of the Confederation of British Industry, a member of Unice, said employers agreed with the British presidency's agenda for economic and political progress There was no case for a devaluation of sterling as British companies were not uncompetitive at current exchange rates.

The business leaders, headed by Mr Carlos Ferrer, the organisations's president, restated their backing for progress towards monetary union, which they said offered the best guarantee for medium-term financial stability.

Action, they added, should be pursued irrespective of the Maastricht treaty's fate.

Mr Major was pressed to help improve Community procedures across a range of activities affecting competitiveness. He was also asked to improve consultation between business and EC decision-makers, including the wider use of consultative "green papers" and improved methods of assessing the impact of legislation on small and medium-sized companies. Mr Major said completion of the single market remained a priority.

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NEWS: THE ERM AND MAASTRICHT

Lira is still overvalued, say traders

By James Blitz, Economics Staff

SPECULATORS took the view yesterday that Sunday's devaluation of the Italian lira had been insufficient to stabilise the currency, forcing the currency to decline sharply against the D-Mark on the foreign exchanges.

Officials at the Bank of Italy tried to put a good gloss on the lira's fall of around 1 per cent against the D-Mark, taking it below its central rate against the D-Mark of L802.48. "Some days will have to pass for the exchange rate and financial markets to find a new equilibrium point," an official at the Bank of Italy said.

However, some dealers said the lira's decline was now unstoppable. "Between now and the end of the week we will see sustained pressure on the lira, which will soon be trading near its new ERM floor," said Mr Julian Simmonds of Citibank in London.

The lira has been the victim of a new bout of selling by a range of players in the market, including bank dealers and investment institutions.

On Monday morning, some 12 hours after the announcement of the devaluation, the lira opened in London at L784.62 to the D-Mark, at the top of its permitted ERM range against the German currency.

At first, speculators who had sold lire before the devaluation bought the currency in a burst of short-term profit-taking.

Yesterday, the mood changed radically. Mr Mark Slater, managing director of foreign exchange at Merrill Lynch International in London, said that big Italian corporations were selling the currency heavily. "They have borrowed around $180bn in D-Marks and Swiss francs and converted them into lire," he said, "and are now buying back foreign currencies to hedge themselves against losses."

Several factors undermined the lira in trading yesterday:

- Dealers felt that Sunday's 7 per cent devaluation was insufficient and could well be followed by another one. The lira was already thought to be overvalued by about 20 per cent against the D-Mark on a trade-weighted basis before Sunday's realignment.
- Dealers are concerned that the Italian government must reimburse the Bundesbank for the massive intervention carried out by the German central bank in support of the lira.

The Bundesbank spent up to DM24bn last week, buying lire on the open market. Under EMS rules, the Bundesbank can demand that the Bank of Italy repays it in lire at the old rate for D-Marks.

- There are fears that the devaluation will increase inflation and reverse the decision earlier this year to abolish the Scala Mobile, which guaranteed minimum wage rises.

Waigel denies government interference on rate cut

By David Gardner in Strasbourg

THE Bundesbank's decision to cut interest rates was not the result of German government interference nor an EC "finance ministers' coup," Mr Theo Waigel, Germany's finance minister, insisted yesterday.

However, Mr Waigel refused to deny that Chancellor Helmut Kohl made a secret visit to the Bundesbank last Friday to discuss the move.

"Clearly a number of meetings have occurred and a number of telephone calls have been made," Mr Waigel said, but the details would be "better left for my memoirs."

He ruled out – at least for the time being – any further realignment of the exchange rate mechanism of the European Monetary System following Monday's devaluation of the Italian lira, and specifically ruled out a depreciation of sterling.

"I certainly do not envisage such a development at this point in time," he said. "The government of the UK has made it clear that it would not accept a realignment."

Mr Waigel is understood to have accompanied Mr Kohl to the Bundesbank last Friday, in what has been seen widely as the exercise of political pressure on the independent central bank ahead of France's cliff-hanger referendum on the Maastricht treaty this Sunday.

The finance minister, on a visit to the European Parliament his Christian Social Union party say was arranged

> 'Clearly a number of meetings have occurred and a number of telephone calls have been made'

in April, hotly reiterated that the rate cut in no way compromised the Bundesbank's independence.

He also flatly contradicted French president François Mitterrand's recent assertion that the future European Central Bank envisaged by Maastricht to administer monetary union would be subject to policies decided by EC heads of government and finance ministers.

The rate cut was "an entirely logical decision in line with prior Bundesbank thinking," he insisted. "This was not a U-turn by the Bundesbank."

He agreed the cut was "not a disadvantage" for the French Yes campaign, but primarily a "positive signal. . . for the economic situation in Germany, Europe and the world" and a "very sovereign decision."

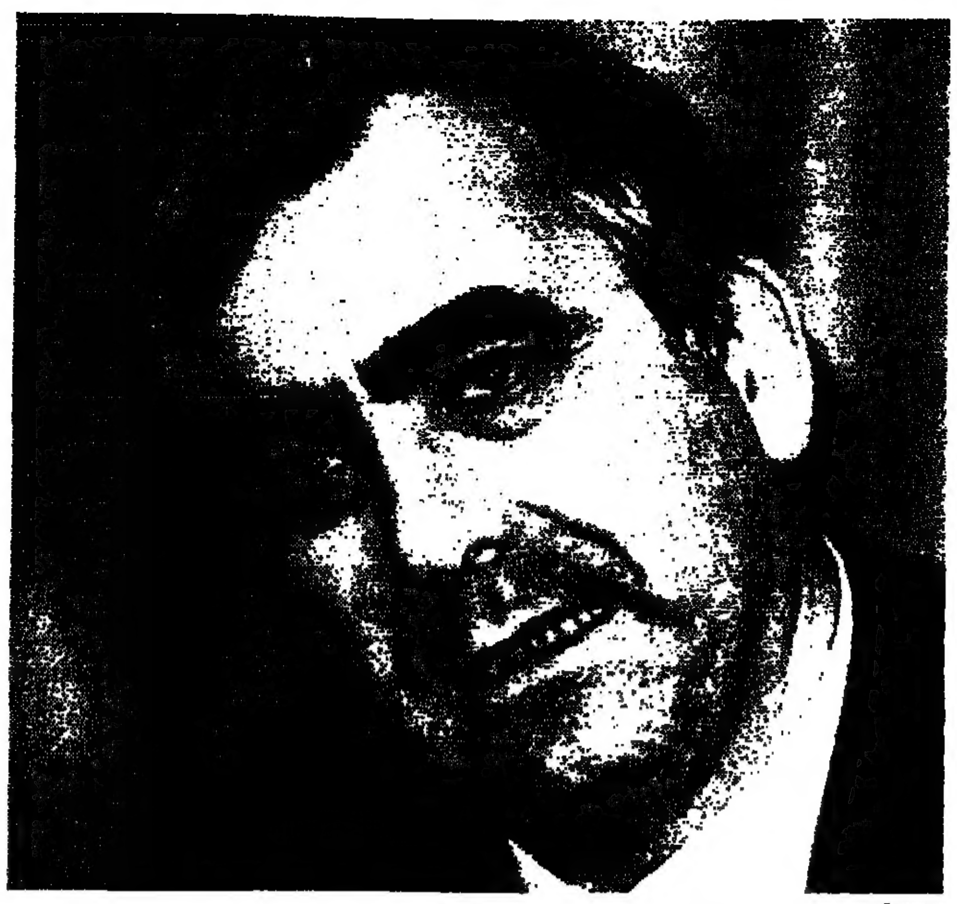
Maastricht made absolutely clear, he pointed out, that the European Central Bank which would subsume the D-Mark into a single EC currency "will be independent, and its independence will be enshrined in national legal conventions."

Mr Waigel brushed aside suggestions that fear of losing the D-Mark and hostility to Maastricht were growing in Germany. But he acknowledged the domestic pressure by calling on pro- and anti-treaty campaigners elsewhere in Europe to stop brandishing fear of German power as a weapon.

"Fear of Germany is not justified. You must look at what we have achieved in our country. We have been a reliable partner and everyone is aware of this. I would appeal to all our partners. . . to have consideration for the other peoples in Europe," the minister said.

He also called for "a European solution" to the flood of asylum-seekers across Germany's eastern borders, echoing remarks on Monday by Mr Jacques Delors, the European Commission president.

Speaking after the German rate cut, Mr Delors said solidarity in Europe was "a two-way street" and that Germany's partners should reciprocate by collaborating to ease its immigration burden.



Terry Kirk

Mr Theo Waigel, German finance minister: refused to deny that Chancellor Helmut Kohl made a secret visit to the Bundesbank last Friday to discuss a cut in interest rates

Gloom spreads as Italy ponders devaluation

By Haig Simonian in Milan

MONDAY'S burst of enthusiasm has given way to Tuesday's gloom on the Milan stock market as dealers and economists in Italy's business centre digest the effects of the lira devaluation.

The cause has been the bleaker perceptions of the move after some reflection. While industrialists caught in the vice of relatively high domestic cost rises and a fixed exchange rate may have gained temporary relief, economists are concerned that the devaluation should have been accompanied by firm action on cutting public spending.

Mr Bruno Trentin, general secretary of the CGIL union federation, Italy's biggest, offered the most coherent criticism.

Devaluation stemmed from "the contradictory messages given by the government to the country and the markets, reducing the credibility of the defence of the lira in this situation," he said.

"It's all up to the government now. We're all waiting for them to show some determination," said the chief economist of one of Italy's biggest banks.

"Having tasted blood once, the danger for the lira is that it could come under fire again very soon if the government doesn't show signs of getting to grips with cutting spending and raising revenue," said the chief dealer at one big US bank.

Prof Giuliano Amato's government has sprung a number of surprises, notably the planned privatisation of Credito Italiano and Nuovo Pignone, the state-owned bank and engineering group respectively. But the last big attack on Italy's structural economic problems came last month, with the agreement between employers, unions and government to abolish the Scala Mobile wage indexation system.

After appearing to rise above the party system in announcing the transformation of the four biggest state-owned groups into joint stock companies the government seems to have lost the initiative. "They just seem to be reacting to events now, rather than taking matters in hand. Privatising Credito Italiano was the price demanded by the Bank of Italy for pushing up the discount rate earlier this month," said one bank economist.

Growing perceptions that the discount rate, at which the Bank of Italy lends to commercial banks, will not be cut soon has been one of the main factors behind the shift of sentiment on the bourse. Mr Luigi Abete, chairman of the Confindustria employers' federation, has called for a swift cut in interest rates, which he said were punishing Italian companies. Confindustria has estimated that devalution would raise domestic inflation, which was running at 5.3 per cent last month, by half a point.

However, yesterday's renewed pressure on the lira suggests there is little sign of that happening, at least before Sunday's French referendum on Maastricht. Rates for securities repurchase agreements between the Bank of Italy and commercial banks, which fell to 16.06 per cent on Monday against 20.75 per cent at the previous bids last Wednesday, rose to 16.30 per cent yesterday. Meanwhile, share prices fell sharply, losing much of the ground made on Monday.

Austrian central bank backs German move

By Ian Rodger in Vienna

MRS Maria Schaumayer, president of the Austrian National Bank, yesterday defended the German Bundesbank's interest rate reductions as "enough for the moment."

Mrs Schaumayer said the turbulence in currency markets had been caused mainly by "psychological factors." Therefore, "a clear signal" should kill them off.

Larger reductions would have given the impression there was an emergency within the European Monetary System or that the Bundesbank had caved in to pressure.

She thought the German government and central bank had "walked hand in hand," recognising the need for a political decision to emphasise commitment to the EMS.

In July, the Austrian central bank, which pegs the Austrian schilling to the D-Mark, allowed its discount rate to remain below the German rate, reflecting the continuing strength of the Austrian economy and robust capital outflows. But it has now realigned it. Mrs Schaumayer said this was because "our inflation got a little worse and Germany's got a little better."

However, the Austrian central bank has cut its main open market intervention rate, the Gomex rate, by 0.5 per cent to 9 per cent, leaving it slightly below the German open market tender rate of 9.2 per cent.

EC states move for UN bar on Belgrade

By Michael Littlejohns in New York

BRITAIN, France and Belgium, the EC members on the UN security council, pressed last night for early action to bar the Belgrade government's delegation from active participation in the work of the new General Assembly as the successor to the former state of Yugoslavia.

Despite protests by Russia, where president Boris Yeltsin has been criticised for siding with the west in measures against the Serbs in Bosnia-Hercegovina, UN diplomats said they did not expect that Moscow would exercise a veto. Rather, they believe that both Russia and China might abstain when the question went to a vote in the council, perhaps by the end of the week.

A draft resolution prepared by the EC members following a foreign ministers' meeting in London last weekend would have the council recommend that the general assembly denies the Belgrade authorities' claim to "continue automatically the membership of the former Socialist Federal Republic of Yugoslavia in the United Nations and that it decide that the Federal Republic of Yugoslavia (Serbia and Montenegro) should not be allowed to participate in the work of UN bodies."

British officials said the text was being refined following discussions with other members. They appeared confident that the outcome of security council action would be a decision by the general assembly to bar Belgrade's delegates from participation in meetings of the world body.

It would be the first time since 1974 that a member state had been so ostracised. In the earlier case, South Africa was ejected on a credentials challenge but continues as a UN member.

The EC states opposed recourse to the credentials procedure in the Yugoslav case, fearing a misleading response by some members. For example,. the US, while seeking to oust the Yugoslavs, might not support a credentials challenge lest a precedent be set that might eventually be used against Israel.

Reminded that only last December Russia successfully claimed what had been the Soviet Union's permanent seat in the Security Council, western delegates said this posed no problem because the other republics of the collapsed Soviet state did not object.

See editorial comment

Bosnian fighters gathered at a cemetery in Sarajevo to mourn a colleague who was killed defending the city in the latest clashes

UK troops face uncertain role

By David White, Defence Correspondent

BRITISH troops have been preparing for the past three weeks to form the largest contingent of new UN forces for Bosnia, but remain in considerable uncertainty about how and where they will operate.

Reconnaissance and planning teams are to fly out this week to investigate convoy routes and establish areas of responsibility. The other main new contingents will be from France and Canada, with smaller forces from Spain, Norway, the Netherlands, Belgium and Denmark.

"A hell of a lot of detailed planning is still to be done," said one UK official. The 1,800 UK troops, with some 450 vehicles, are not expected to be in place in much less than six weeks. Crucial questions still hang over the rules of engagement – the confidential conditions governing a commander's leeway to use military force.

The force's mandate to protect food and medical aid convoys for Bosnia has been extended to cover possible convoys of released detainees. But it has no brief to monitor the sites where heavy weapons are concentrated, and the question remains open how these weapons will be controlled.

UN forces are empowered to defend both themselves and the convoys. This means they may return fire and in some circumstances fire first. But it is unclear what further action they might take against ambushers, and unlikely that their powers would extend to pre-emptive firing at an ambush site.

"The name of the game is protection, not forcing convoys through," said one army officer. He accepted problems were likely to arise, but warned that looser rules of engagement could "open the door too far to a variety of interpretations".

Currents plans are based on the assumption that any attack on convoys would probably involve direct fire – for instance from heavy machine guns or anti-tank weapons – rather than artillery. British forces, although they will have some mortars, include no artillery or radars to locate heavy guns.

The UK force is designed as a self-sufficient "battle group", drawn mainly from units based in Germany and built around a reinforced infantry battalion, equipped with 40 Warrior armoured combat vehicles and backed up by a squadron of Scimitar armoured reconnaissance vehicles and logistics support.

Troops in Germany began painting their vehicles white last week. The relatively heavy equipment was chosen to operate along difficult mountain roads in winter, and both the Warrior and the Scimitar are equipped with powerful 30mm cannon.

The cost to the UK is reckoned at £80m-£90m in the first year. Britain, which currently has 300 medical personnel in Croatia, has up to now been among the most cautious about sending combat troops to former Yugoslavia. The Bosnian deployment has increased concern that the army, in the process of being reduced by 25 per cent, may be overstretched.

Troop strengths in Northern Ireland have already been increased since last year by two battalions. "The pips will squeak a bit, but it's still tenable," said an army source. However, if significant further deployments became necessary, the government might have to rethink its plans for army cutbacks.

Current deployment areas for UN peacekeeping forces

Bosnian peace force may be too small

By Judy Dempsey in Belgrade

THE decision by the United Nations Security Council to send up to 6,000 more troops to Bosnia-Hercegovina is aimed at stepping up the international relief operations throughout the former Yugoslav republic.

But UN officials admit that the numbers may be too small to cope with task facing the United Nations Protection Forces (UNPROFOR).

Under its enlarged mandate, the UN forces will support the United Nations High Commissioner for Refugees aid efforts in Bosnia, and provide protection, "where and when the UNHCR considers such protection necessary".

However, the UN remains determined not to change its operations in Bosnia from peace-keeping to peace-enforcement for fear that it will be seen as partial towards any one side involved in the fighting.

"The expansion of the UN presence is tied to the humanitarian aid effort," a senior UN official said yesterday. However, he added that it would run in parallel with the Geneva talks on the former Yugoslavia, as well as continuing attempts to place all heavy weapons under UN supervision.

In addition, the agreements signed last month at the London peace conference envisage sending many more observers to Bosnia's borders to stem the flow of weapons into the republic. As part of the humanitarian effort, UN troops, which will work closely with the UNHCR, will

Sixty-eight sick and injured men from Serb-run detention camps in Bosnia were flown to hospitals in Britain on a Red Cross flight yesterday, Reuter reports from Zagreb.

The Russian Aeroflot aircraft was chartered by the International Committee of the Red Cross (ICRC). It took off for Britain from the Serb-held stronghold of Banja Luka in northern Bosnia-Herzegovina. A Red Cross spokeswoman said 67 of the men on board were from two detention camps, Manjaca and Trnopolje, and one from the Banja Luka hospital.

will be deployed in four or five new zones, apart from the Bosnian capital, Sarajevo. These include Banja Luka, Bihac and Doboj in the north, Mostar in the south, and Tuzla and Gorazde in the east.

A UN infantry battalion will be based in each zone. It will be complemented by an engineer bridging company, military observers and logistical and signals back-up.

"The UN units in the new zones would need to have a high degree of self-sufficiency," said Mr Boutros Boutros Ghali, the UN secretary general, in his report on Bosnia to the security council.

"The troops will be doing a lot of repair work before the winter arrives. Bridges have to be re-built.

"Mines have to be located. Roads have to be made passable. We will not be able to use the mountain routes in a few weeks time," a UN commander explained.

"When we move the UN troops into the zones, they will be there for some time. This is a long haul," he added.

At the request of the UNHCR, the UN troops will protect aid storage facilities in these zones. The relief convoys will be supported by a UN transport battalion, which will escort them in and out of the zones.

The troops will follow "normal peace-keeping rules of engagement," and will be authorised to use force in self-defence.

Mr Boutros-Ghali stressed that self-defence would include "situations in which armed persons attempt by force to prevent UN troops from carrying out their mandate".

He said that if all parties involved in the war in Bosnia did not stop attacking UN personnel, "further steps might be necessary to ensure UNPROFOR'S security and enable it to fulfil its mandate".

However, Mr Boutros Ghali ros conceded that the enlarged UN presence in Bosnia would not be large enough to protect any of the people released from the detention camps who wish to leave the republic, let alone protect those who wish to return to their homes, which in many cases have been destroyed.

He said the security council would have to expand the UN's mandate even further if it was to take on this role as well.

Under these circumstances, and the limitation of the current mandate, it is now apparent that the UN's expanded role in Bosnia will not lead to the setting up of safe-havens for the millions of refugees, nor will UN protectorate zones be established.

■ Mr Alija Izetbegovic, the Bosnian president, has backed off his threat to boycott international talks on Bosnia's future scheduled to begin in Geneva on Friday, writes Frances Williams in Geneva.

He will be sending Mr Haris Silajdzic, the foreign minister.

Mr Radovan Karadzic, the Bosnian Serb leader, and Mr Mate Boban, leader of the Croat-controlled area of western Hercegovina, are also expected to attend the talks, which will be chaired by Mr Martti Ahtisaari, a senior UN official.

The talks, under the auspices of the Geneva conference on the former Yugoslavia, co-sponsored by the UN and European Community, are intended to craft a long-term political settlement for Bosnia-Hercegovina.

Mr Fred Eckhard, spokesman for Mr Cyrus Vance and Lord Owen, co-chairmen of the conference, said yesterday that the negotiations would go into continuous session from Friday until a solution was reached.

He added that the talks would start with a clean slate, now that the EC's previous "cantonisation" plan has been buried.

This would have divided Bosnia into cantons controlled by Serbs, Croats and Moslems, with guarantees for minority rights.

But it proved unacceptable to the Bosnian government which continues to press for a unitary state.

Mr Vance, a former US secretary of state, and Lord Owen, former British foreign secretary, yesterday condemned Serb air attacks in and around Bihac, and called on Mr Karadzic to honour his pledge to put all heavy weaponry around four Bosnian cities under UN supervision. UN observers reported heavy shelling in the Bosnian capital Sarajevo on Monday from all sides.

Meanwhile, there seems little prospect of an early resumption of the humanitarian airlift into Sarajevo.

GM alters Polish assembly plans

By Kevin Done, Motor Industry Correspondent

GENERAL MOTORS, the world's largest vehicle maker, is seeking to start small-scale car assembly in Poland by autumn next year.

The company, which signed a memorandum of understanding with the Polish Government and FSO, the Polish state-owned car maker in February, has presented a revised plan to the Polish authorities.

This calls for the start-up of assembly of Opel cars in Warsaw – probably the Opel/Vauxhall Astra small family car – within 9 months of a final agreement being reached.

The revised deal, which could be finalised by mid-November, involves assembly initially of up to 10,000 cars a year at a facility within the existing FSO plant. It is expected that FSO would hold a minority stake in a joint venture with GM.

The plan involves a more modest first step into local assembly in Poland than GM had envisaged in February, but at the same time it is seeking to bring forward the start-up date.

Under the terms of the original memorandum of understanding it was planned that GM would invest initially up to $75m in plant and equipment at the antiquated FSO plant for the production of the Opel/Vauxhall Astra, GM's best-selling car in western Europe.

It intended to establish a capacity to produce a total of 35,000 Astras a year on three shifts. It has now decided, however, that this plan must be split into two stages.

End of car strike opens way for Fiat takeover

By Christopher Bobinski in Warsaw

A SEVEN-WEEK strike at Poland's FSM small car factory, which is being taken over by Fiat of Italy, collapsed yesterday giving the government a victory in its battle for wage restraint.

The government had been hoping that its firm stance on the FSM strike would send a positive signal to foreign investors.

The way is now open for Fiat Auto, which last May signed a deal worth nearly $2bn for the plant, to take possession. Fiat has been waiting for the strike to end and the company's office in Warsaw says it hoped the "opening date" for the takeover would be October 1.

Meanwhile up to three thousand workers yesterday agreed to leave the plant at Tychy in southern Poland after failing to win concessions other than a 30 per cent wage increase offered by Fiat at the end of July. The rise will come in to effect once the Italian car maker is in control and should bring the average monthly wage at the plant up to 4m Zloty (£156).

The strikers had originally demanded that wages be indexed to the market price of the new Cinquecento car they have been producing for Fiat at FSM since the New Year.

FSM was to have produced 160,000 vehicles this year but the strike has resulted in the loss of some 15,000 cars, delaying Fiat's western Europe sales campaign for the Cinquecento this autumn.

Moves over German bank cartel inquiry

By Leslie Colitt in Berlin

THE German Cartel Office has confirmed its "suspicion" that German banks misused a market-dominating position to pay consistently low interest rates on savings accounts held by millions of Germans.

"The initial suspicion has been borne out and early next month we should be able to decide to proceed with the investigation" Mr Dieter Wolf, the new president of the Cartel Office, said. A public hearing of the banks may take place first.

German banks were shocked last month when the Cartel Office announced an investigation into interest rates paid on small savings accounts. Rates paid in the last four years were between 2.5 and 3 per cent for savings accounts of less than DM2,000 (£716), although the discount rate had more than doubled.

"Our findings would not be legally relevant if savers could go elsewhere. But they cannot unless they invest considerably more money" Mr Wolf said. In order to lower costs, the investigation launched last month is limited to eight banks operating in Berlin.

They include the three leading German banks – Deutsche Bank, Dresdner Bank and Commerzbank – as well as Postbank, the large postal bank, and four banks operating mainly in the Berlin area.

However, the Berlin-based Cartel Office said its suspicion applied to banks throughout Germany. The Cartel Office's next step is to decide whether to order the banks to raise interest rates on small savings accounts to a level which would exist if there was genuine competition.

Banker warns Paris Club on Russian debt

By Peter Norman in Washington

WESTERN governments were yesterday warned by a senior banking official not to reschedule Russia's foreign debts without first obtaining big improvements in the country's economic and financial policies.

Mr Horst Schulmann, managing director of the Washington-based Institute of International Finance (IIF), said that if the Paris Club of western creditor nations were formally to reschedule Russia's overdue interest payments Russia could "become the ward of tax payers" in the big industrialised countries.

Speaking as senior government officials of the creditor countries met in Paris to discuss the debts of the former Soviet Union, Mr Schulmann said it was "difficult to avoid the conclusion that policy makers in Russia do not know what they are doing. Indeed they may not know what is going on," he added.

Mr Schulmann, who leaves Washington shortly to become president of the German state central bank of Hesse and a member of the Bundesbank's decision-making central council, said Russia had generated enough foreign exchange so far this year and in 1991 to pay all the interest it owed on its foreign loans. But the IIF, which was set up by large international banks in the early 1980s to monitor sovereign debt problems, has calculated that Russia has paid less than $500m (£253m) in interest since January.

He said Russian ministers had estimated that capital flight from Russia totalled $3bn so far in 1992. The real figure was likely to be double that amount, he said.

Mr Schulmann said it would set a "wrong signal" to reschedule Russia's debts in these circumstances because such an action would give an appearance of orderliness to a very disorderly situation. Instead, the industrial countries should continue to deal with Russia's overdue debt by rolling it over for three months at a time. He also said the International Monetary Fund should not give Russia a standby credit at present.

The Paris Club is expected this weekend to announce details of an agreement to reschedule $33bn (£16.7bn) of debt belonging to the former Soviet Union at the G7 finance ministers meeting, Alice Rawsthorn reports from Paris. A consensus among Paris Club members is believed to favour rescheduling the debt repayments over 10 years. This would include a moratorium of five years in which the new republics would pay back only interest.

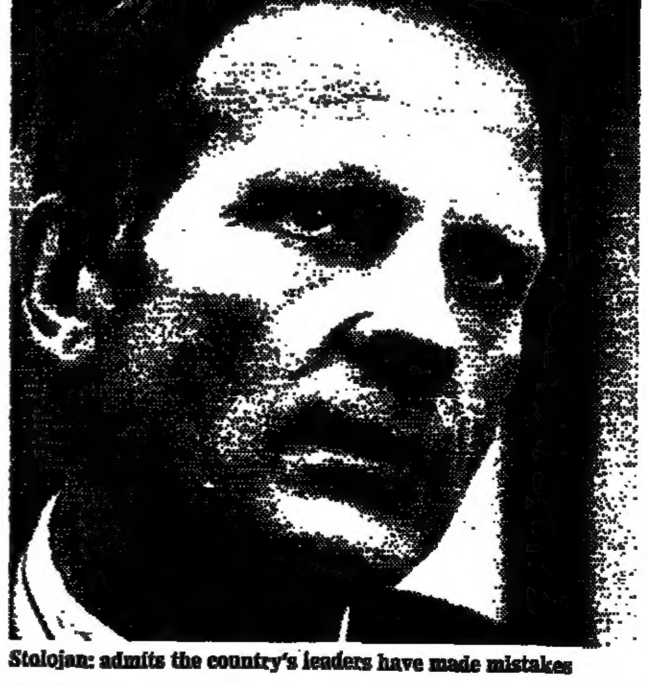
Romanian PM urges real change

By Virginia Marsh in Bucharest

MR THEODOR Stolojan, Romania's outgoing prime minister, said yesterday the country's leaders had "made mistakes" and underlined the need for political change after parliamentary and presidential elections scheduled to be held on September 27.

"The situation is not so good for Romania. We have to give the chance to people to have another government based on the power of the vote," said Mr Stolojan, a non-partisan prime minister of a coalition government.

Mr Stolojan's comments come in the wake of bitter criticism from the Democratic Convention (DC), an 18-strong coalition of opposition parties. The Convention contends in its election campaigning that the country's current leaders, and particularly Mr Ion Iliescu, Romania's president, have ruled undemocratically, maintained supporters of the previous communist regime in key institutions and failed to introduce meaningful reforms.



Stolojan: admits the country's leaders have made mistakes

While many Romanians appear more concerned about recent price rises and worsening bread shortages than in the elections, opinion polls suggest that the DC's emphasis on the need for a clean break with the past is paying off.

The latest polls indicate that President Iliescu, a former high-ranking communist official, who at the start of the campaign was tipped for re-election with a comfortable margin, is now in a tight contest with the DC's candidate, Mr Emil Constantinescu, the rector of Bucharest University. In the parliamentary elections, pollsters give more than 32 per cent to the Convention, which emerged from February's local elections as the main opposition to the National Salvation Front (NSF). The NSF, which took power following the bloody overthrow of the Ceausescu regime in December, 1989, went on to win two-thirds of the vote in the first post-communist elections in May, 1990.

But the NSF was weakened earlier this year when supporters of President Iliescu left to form the Democratic National Salvation Front (DNSF), a left-wing party favouring only limited reform.

The polls indicate the DNSF will pick up 12-15 per cent, with a similar proportion going to the NSF, which is led by Mr Petre Roman, whose reformist government was toppled following three days of miner-led riots in September, 1991.

Many voters say they are still undecided, but with no group likely to win a majority, the next government could be a coalition between the Convention and Mr Roman's NSF.

Stalemate in French prison row

THE French government yesterday offered to freeze the temporary suspension of 40 prison officers announced on Monday as a conciliatory gesture towards resolving their industrial dispute, writes Alice Rawsthorn in Paris. However, its efforts were blocked when two of the biggest officers' unions, the UFAP and Force Ouvrière, refused to attend a morning negotiating meeting.

Despite the government's efforts, staff at most of France's 182 jails stayed out on strike over their demands for improved security after the murder of two officers. There were ugly scenes as riot police tried to restore order, sometimes clashing with picketing officers as well as inmates.

■ The French airline pilots' unions have called out their members on a 24-hour strike today in protest at proposed changes to their working arrangements. The pilots' union criticised the European Commission by claiming that it was tabling changes which would involve more flying hours and shorter rest periods.

US doctors' group backs care reform

By Michael Prowse and George Graham in Washington

ONE of the largest groups representing US physicians has endorsed health care reforms similar to those proposed by Governor Bill Clinton, the Democratic presidential candidate.

The American College of Physicians, which represents 77,000 specialists, has called for a national cap on health-care spending and tough limits on fees that doctors and hospitals can charge for services.

The college said it had been working on its reform plans for five years and was not attempting to take sides in the presidential campaign, where health care has emerged as one of the central issues.

The Clinton campaign, however, hailed the announcement as a breakthrough, arguing that it proved that informed opinion was swinging in favour of more government intervention to manage runaway health-care costs.

Like Mr Clinton, the physicians' group believes employers should be required either to provide health insurance for workers or pay a levy to help finance an expanded public-sector scheme.

President George Bush has flatly rejected an overall cap on health spending and specific limits on doctors' fees, arguing that such policies are socialist and would result in queues for care.

Opinion within the medical profession is split.

Meanwhile Mr Bush sought yesterday to revive the issue of *Mr Clinton's* avoidance of the Vietnam war draft, which has dogged the Democratic candidate since the early days of his campaign.

After first defending Vice-President Dan Quayle, who avoided serving in Vietnam by opting for the National Guard, Mr Bush worked himself up to fever pitch as he explained why he felt Mr Clinton's draft history was relevant to the election campaign.

"We can never forget that we ask our presidents to lead the military, to bear the awful authority of deciding to send your sons and daughters in harm's way," Mr Bush told the National Guard Association in Utah.

Mr Clinton, also in Utah yesterday, did not respond. Instead he discussed defence budgets and economic policy, but stuck to his earlier promise to say not a word more about the draft.

World Bank plans to boost lending

By George Graham

THE World Bank plans a big increase in lending to developing countries this year after a slowdown over the last 12 months.

The Washington-based development organisation aims to boost lending from its core unit, the International Bank for Reconstruction and Development (IBRD), to between $18.5bn and $21.5bn (£10.9bn) this year.

The World Bank says in its annual report, published this morning, that IBRD loan commitments in its 1992 fiscal year, ending June 30, fell to $15.2bn from $16.4bn the previous year, as lending in eastern Europe slowed and big development projects were suspended in Turkey, Yugoslavia, Algeria and Egypt.

The bank also expects to increase loans from its affiliate, the International Development Association (IDA), which concentrates on lending at concessional rates of interest to the poorest developing countries.

IDA commitments are expected to reach about $7.4bn this year, against $6.6bn in the year ending June 30.

With sustainable poverty reduction, environmental protection and private-sector development now its priorities, the World Bank says in its report that it has placed new emphasis on its portfolio of existing loans, rather than on making new loan commitments.

The bank has introduced a carrot and stick approach to encourage borrowers to keep up with loan repayments. A country that falls 30 days behind in its payments will have no new projects presented to the board for approval. If it falls 45 days behind, even previously approved loans will not be signed.

On the other hand the bank has waived half of the 50 basis point interest rate spread which it charges on loans to borrowers who pay on time.

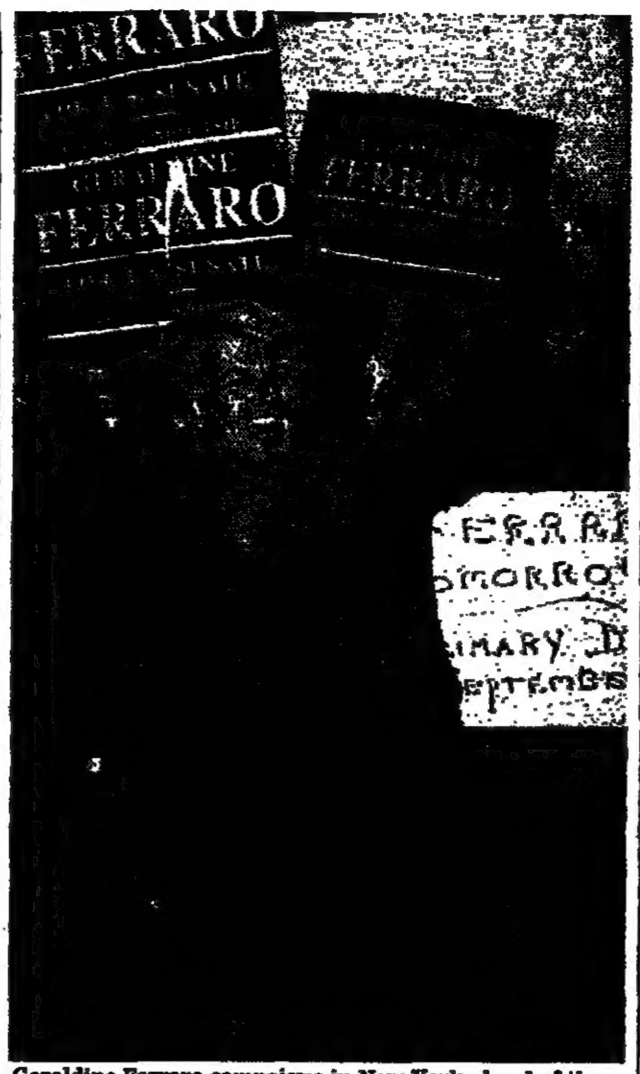
Argentina on time with budget

ARGENTINA unveiled on Monday evening a draft 1993 budget totalling $40.05bn (£20.3bn), against a backdrop of government infighting and debate over alleged government insensitivity to the social costs of its orthodox adjustment policies, John Barham writes from Buenos Aires.

Mr Domingo Cavallo, economy minister, said when presenting the budget to Congress that although federal spending would increase by 17.4 per cent over 1992, the budget would be balanced, with revenues of $40.06bn – equivalent to 24 per cent of GDP. Public spending, including local government, is forecast at 42 per cent of GDP.

Central and local government will increase social spending to $47.5bn, or 28 per cent of GDP in 1993.

This is only the second time in 40 years that an Argentine government has submitted its budget to Congress for approval on time.



Geraldine Ferraro campaigns in New York ahead of the Democratic Senate primary election yesterday

NY Democrats urged to elect dead candidate

NEW YORK Democratic party leaders appealed to voters to elect a dead man in yesterday's primary race, writes Alan Friedman in New York.

Mr Ted Weiss, a Manhattan Democrat who was among the most liberal members of the House of Representatives, died on the eve of the party's primary, which he was expected to win overwhelmingly.

The eight-term congressional veteran, who was a critic of the US pharmaceuticals industry and a campaigner for better Aids research, was to have stood virtually unopposed in the election, facing only a fringe candidate.

New York's electoral law would allow the Democrats to select a successor to stand in the November election if the late Mr Weiss wins the primary. And a win in his constituency – which includes the heart of Manhattan's Upper West Side liberal enclave – means certain victory in the November election. Thus New York's Democrats urged the electorate to cast their vote for the dead congressman.

Meanwhile, voters were also choosing a Democratic challenger to incumbent New York Senator Alfonse "Al" D'Amato from a field led by former Congresswoman Geraldine Ferraro and Mr Robert Abrams, New York State attorney-general.

Unease in Mexico rises as economy takes a dip

THE SHINE on the Mexican economic miracle, once the toast of Wall Street and the envy of Latin America, is beginning to wear off.

Despite a sharp rebound on Monday, the stock market is 30 per cent down since June. The economy is expected to grow by only 2-3 per cent this year, compared with the government's original forecast of 4 per cent.

The current account deficit is likely to exceed $20bn (£10.1bn), or more than 6 per cent of gross domestic product (GDP). The long-awaited rise in Mexican living standards appears as distant as ever.

The slowdown has generated creeping unrest. The Manufacturing Industry Chamber has complained about tight government policy and the squeeze on consumer spending. In July and August, workers at the Volkswagen car plant, the largest in Mexico, and 22,000 textile workers were on strike.

Another 15,000 former petrol workers were protesting at their dismissal and lack of severance payments.

At the same time the government has been stung by political problems that are less easy to explain away when the economy is underperforming. Yesterday the ruling party's governor of Michoacan state took office amid mounting protests from the leftist opposition at alleged fraud by the government party.

While economists differ on the severity of the problems, most agree on the cause: Mexico's troublingly high current account deficit and inflation rate, coupled with the sluggish US economy and nervous foreign investors. The combination has forced the government to raise short-term interest rates to 17 per cent and to run an even larger budget surplus than forecast in an effort to cool down the economy.

The government has warned the private sector not to expect any loosening of economic policy in the near future. "We cannot pay attention to the few voices that propose relaxing financial discipline to adjust the nation to their own inefficiencies," President Carlos Salinas de Gortari said in August at the annual bankers' convention. The prize he is seeking is single-digit inflation – not attained in two decades – and productivity increases as companies restructure in order to compete.

The trouble is inflation, with imports remarkably unwilling to respond to the economic slowdown, argues Mr Jonathan Heath, head of the consultancy Macro Asesoria Economica.

The government, writes Damian Fraser, has been stung by problems that are less easy to explain away when the economy is underperforming

Mexico's inflation rate is falling but will still be around 11-12 per cent this year. The peso devalues against the dollar by a pre-set 2.5 per cent a year in nominal terms, implying about 6 per cent annual real appreciation against the dollar. On top of that, imports in the first half of this year reached $23.1bn, 30 per cent up on the period last year, while exports were $13.7bn, up 1.5 per cent.

The implication, says Mr Heath, is that "the government is going to have to continue with its restrictive policy all this year and maybe next year as well".

Mr Roberto Barreira, head of research at the brokerage Inver Mexico, concurs and has cut his forecast for growth next year to only 2 per cent.

Such low growth will reduce company earnings next year and partly explains the poor performance of the stock market. Low growth should also reduce private investment, already suffering from the falling stock prices and higher interest rates. Private investment, financed in large part by eager foreign investors, has fuelled economic growth over the past two years.

The government's economic strategy may have become over-dependent on the ability to attract cheap foreign capital, lulled as it was into security by the boom years of 1990 and 1991. "The 1990s are not the 1980s," argues Mr Jesus Reyes Heroles, head of the consultancy GEA, "and unlike Spain then, Mexico faces a real scarcity of world resources."

Thus, while Mr Jose Cordoba, the president's closest adviser, says *in one breath* that Mexico needs $150bn of foreign capital in 10 years, he admits in another the difficulties, by publicly warning Mexican companies not to raise too much equity *capital in international* markets.

The proposed North American *Free Trade Agreement* (Nafta) grouping Mexico, the US and Canada was meant to square the circle by locking in President Salinas' economic reforms, and encouraging foreigners to foot the bill for the country's industrial restructuring.

But the Mexicans first overestimated the speed at which the Nafta negotiations could be concluded and then under-estimated the opposition to the agreement in the US Congress. A ferocious attack on Nafta last Tuesday by Mr Richard Gephardt, the Democratic leader of the US House of Representatives, helped the market fall by 7 per cent in the week.

Most people expect the congressional vote on the agreement to be delayed until summer next year, and the final result to be close.

The shortage of cheap foreign capital may mean that the Mexican government will have to put up with sluggish growth for the next couple of years, just when the ruling party prepares for the 1994 presidential elections.

It will be a measure of President Salinas' political skills if he can persuade Mexico that this was the best result obtainable.

Indian shares rise on hopes of new money

By Stefan Wagstyl in Bombay

INDIAN stocks soared yesterday after the announcement of rules for the opening of the country's capital markets to foreign investors.

The Bombay stock exchange index jumped 4.1 per cent as investors shrugged off their worries about the recent market scandal and bought stocks in the hope that the rule changes will prompt a wave of foreign investment.

"The mood was extremely up-beat," said Mr S. Subramanian, vice president of DSP Financial Consultants, an investment company.

The opening of India's markets to foreign institutions is a key element in the government's wide-reaching economic deregulation programme. The announcement coincides with the visit to the UK and the US of Mr Manmohan Singh, the finance minister.

Under guidelines published on Thursday, foreign institutions will be permitted to hold up to 5 per cent of any stock. Foreign institutions as a whole will be allowed to buy up to 24 per cent.

Dividends and interest income will be taxed at 20 per cent, long-term capital gains (profits on securities held for more than a year) at 10 per cent. The government has yet to disclose the tax rate on short-term investments - an important consideration or many institutions.

A senior official of the Reserve Bank of India, the central bank, said the rules would be welcomed by foreign institutions. Mr Subramanian said more than 20 foreign fund managers had called yesterday seeking further information - mainly from Hong Kong, the UK and the US.

Some brokers in Bombay have been drumming up business by forecasting massive flows of foreign money of $1bn and more into the $70bn stock market over the next year or so. But others warn that $100m-$200m may be more realistic.

Mr Subramanian said "old India hands" might start buying selectively, but foreign investors as a whole were wary because of the recent scandal, uncertainty about the future course of economic reform and the high price of Indian stocks.

The average share in Bombay trades on a multiple of about 30 times earnings for the year to March 1992 and about 26 likely earnings in the year to March 1993. "At these levels we won't see much money coming in."

Nevertheless, financial companies are busy preparing for the day foreign investors become a permanent part of the Indian market.

Foreign broking houses – including Jardine Fleming, the British-owned company and Merrill Lynch and Morgan Stanley of the US – are opening representative offices or making alliances with local companies.

Until now foreign investment in India has been limited to eight offshore funds which have accumulated net assets of about $1.1bn since the first was launched seven years ago.

China to boycott Mideast arms talks

By Alexander Nicoll and Mark Nicholson in London, and Agencies

CHINA is boycotting talks between the five permanent members of the UN Security Council on restricting arms sales to the Middle East in what appears to be its first retaliation against President Bush's decision to allow the sale of F-16 fighter jets to Taiwan.

Reuters news agency quoted a State Department official as saying China had informed the US that it would not attend the talks, for which no date has yet been set. "They've said they will not be going to the. . . talks," the official said, adding: "We will be arguing against that."

However, China is taking part in separate multilateral talks on Middle East arms controls, which began yesterday in Moscow.

Beijing is furious that Mr Bush cleared the sale of up to 150 fighters in what it says is a breach of a 1982 Sino-US agreement. It said the decision would make it difficult for China to co-operate in arms control and non-proliferation efforts.

It was not clear yesterday whether the Chinese boycott was the beginning of a sustained campaign of non-co-operation in arms control discussions, or a one-off action designed to underline its displeasure at the fighter sale.

The State Department official said that China's decision to boycott the talks did not mean Beijing was about to resume arms sales to the region but Washington would be watching carefully.

Progress on arms control in the Middle East, to which China is a leading arms supplier, is likely to be limited by the willingness of Arab states to curb weapons buying while Israel remains the region's sole nuclear power.

Though no significant arms control agreements are imminent, the absence of China from such discussions for a long period would be seen as a serious step undermining global security, especially in Asia – which contains several potential flashpoints and where arms purchases have been accelerating.

However, the US has warned China against reacting badly to the Taiwan sale and Beijing's options for retaliation are limited by its desire to preserve its most-favoured-nation (MFN) trading status with the US. The US Senate voted this week to attach conditions including progress on human rights to MFN renewal, but Mr Bush has previously vetoed such conditions.

Floating: a woman feeds her children yesterday while escaping in a boat from the flooded city of Multan in southern Pakistan

More than 1,000 killed in floods

By Farhan Bokhari in Multan, Pakistan

MORE than 1,000 people are believed to have been killed in one of the worst floods ever seen in Pakistan.

Hundreds of peasants outside Multan, the historic city of the Sufi saints, yesterday sought refuge on the roofs of their mud houses, as the heart of Pakistan's cotton belt was hit by the floods.

Small patches of cotton and rice crops, and trees with their trunks fully submerged in a sea of water were the only remaining signs of the lush green farms that were flourishing up until last week.

Breaches made by army engineers in a canal west of the city helped prevent flood water from entering Multan. But the floods were last night heading towards the southern province of Sindh amid widespread fears of further damage to life and the economy.

The floods and torrential rains have progressively spread over Pakistan and parts of Kashmir controlled by Pakistan over the past week.

The cost of rehabilitation could intensify pressure on the national economy, already hit by a world recession which has caused a setback to cotton-related exports.

Now there are concerns that the cotton crop, the production of which had risen by 35 per cent over the past year, will take a severe beating. Although the extent of the damage remains unclear, cotton production levels may decline by at least 10 per cent, the government estimates. However, some officials believe that the losses could be as great as 20 per cent. Last year, almost 58 per cent of export earnings came directly or indirectly from cotton.

Western and Pakistani journalists were flown in an army helicopter outside Multan yesterday. Little land was visible, while motorboats, carrying relief supplies and army troops, were plying between camps and the refuge sites as rescue operations continued.

A government minister said Pakistan was considering launching an international appeal for help.

N Korea refuses to budge

By John Burton in Seoul

NORTH Korea is showing no sign of making concessions on closer ties with South Korea, despite increased diplomatic isolation as the prime ministers of both sides begin a new round of talks in Pyongyang today.

Although South Korea's bargaining position has been bolstered by the recent establishment of diplomatic relations with China, North Korea's main ally, this has apparently not persuaded the North to seek a compromise with Seoul.

North and South Korea signed reconciliation and non-nuclear agreements last December, but negotiations to implement these pacts have reached stalemate.

South Korea is demanding that North Korea accept challenge inspections of its suspected nuclear research facilities and is refusing to provide economic investment until Pyongyang accedes to the request.

"No substantial progress in relations between the South and the North will be possible without finding a bona fide resolution to the nuclear issue," South Korean Prime Minister Chung Won-shik said in a speech at the welcoming dinner in Pyongyang last night.

Only limited progress has been made in reaching agreement on other steps to promote closer co-operation between the two Koreas. A scheduled reunion of separated Korean families from the two sides last month was cancelled due to the impasse in negotiations.

Whalers form own grouping

By Bronwen Maddox, Environment Correspondent, and Karen Fossli in Oslo

A BREAKAWAY whaling organisation could further undermine the influence of the International Whaling Commission, the whaling regulator, which has seen repeated challenges to its jurisdiction this year.

The North Atlantic Marine Mammal Commission (Nammco), founded by Norway, Iceland, Greenland and the Faroe Islands, declared at its first meeting that dissatisfaction with the IWC's ban on commercial whaling was the main reason for its creation.

Iceland left the IWC at the June annual meeting. Norway, while remaining a member, plans to resume commercial whaling next spring. The two have repeatedly criticised the IWC, which includes many non-whaling countries, for pandering to animal rights arguments and refusing to agree quotas for commercial whaling even on a "sustainable" basis.

Nammco's influence will be greatly increased if Russia and Canada accept its invitation to join. Japan, one of the largest whaling countries, also attended the inaugural meeting as an observer.

Nammco will also cover seals and pilot whales.

Growth falls give Singapore an attack of economic angst

Kieran Cooke on the rising fear of missing out

SINGAPOREANS have a word for it: *Kiasu*, a Hokkien Chinese term which describes a fear of missing out or failing to keep pace with the crowd. These days there is plenty of *Kiasu* in Singapore.

The reason is the economy. In 1988, the economy grew by 11 per cent, in 1989 by 9.2 per cent, in 1990 by 8.3 per cent and last year by 6.7 per cent. In the first half of this year growth slid to 5 per cent.

Singapore sets itself high economic standards, and the decline in growth has been enough to induce wholesale nervousness. Shops and restaurants are unusually quiet. Though there are more tourists arriving, the big spenders, notably the Japanese, are staying away. Hotels are in a price war for customers.

Singaporeans watch as their old rival, Hong Kong, continues to grow rapidly. There is also political uncertainty, with the old captain of the SS Singapore, Mr Lee Kuan Yew, no longer at the helm. Singapore, it is felt, is failing to keep up.

However, the picture is hardly all doom and gloom. Singapore's growth is largely dependent on its exports, and analysts point out that a 5 per cent rise in gross domestic product (GDP) is a significant achievement at a time when Singapore's main export markets – the US, the European Community and Japan – are simultaneously either in recession or showing only slight growth.

Singaporeans might be full of economic angst, but investors are still bullish about the island republic's economic prospects. In the 1985 recession there was a sharp dip in foreign investment: new investment commitments in manufacturing in the first six months of this year were S$1.7bn (£534m), a 6 per cent rise over the same period in 1991.

The government says all is more or less on course: as the economy matures, slower economic growth rates are inevitable. Singapore, with its highly trained workforce, its well developed infrastructure and its $38bn foreign exchange reserves is poised to take advantage of opportunities in what is the world's fastest growing economic region.

But there are problems. As in the mid-1980s, there are signs the government is pump-priming the economy by pouring money into the construction sector, which enjoyed a 20 per cent growth rate in the first half of the year, while manufacturing output continues to fall and the financial services sector – one of the star industries in recent years – achieves minimal growth.

The GDP growth figures disguise an export performance which is sluggish in comparison with recent years. While Singapore retains a strong position in the electronics sector (it produces 50 per cent of the world's computer disk drives) further growth is largely dependent on an illusive US economic recovery.

"Singapore had grown complacent," says one economist. "It thought it had escaped the effects of the recession in the west. That's clearly not the case now."

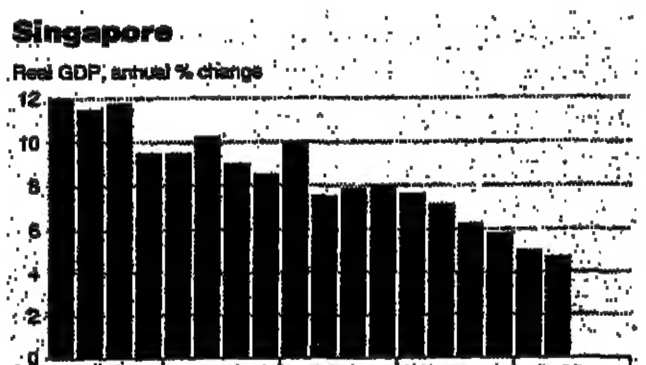
Singapore is also faced with the erosion of its competitiveness. While wages are rising at a lower rate than in the mid-1980s, there are worries about a growing gap between wage rises and productivity. Singapore is an increasingly expensive place to do business: a 16 per cent rise of its currency against the US dollar since the end of 1989 has further blunted its export competitiveness.

The government's answer is to encourage domestic manufacturers to automate; go into more high-tech industries; or move their labour-intensive industries offshore. But such moves are taking longer than expected.

Government sensitivity to criticism of its management of the economy is partly due to political factors. In elections last year, the governing Peoples Action Party, in power since Singapore's independence, lost support. A number of by-elections pending will be a severe test for Mr Goh Chok Tong, the prime minister.

Mr Goh has recently warned against "the democratic distemper which afflicts peoples whose economies have become sluggish because of subsidies". But the government might find it dangerous to ignore pleas for greater health and education spending.

Singapore



Source: Singapore Economic Trends Report

HAZARDS OF REPORTING FIGURES

COMMENTATING on the Singapore economy can be a hazardous business, writes Kieran Cooke.

In late June, the Singapore newspaper Business Times published preliminary government figures for GDP growth in the second quarter of the year. The figures gave a lower than expected growth of 4.6-4.8 per cent.

Six weeks later, officers from Singapore's Internal Security Department (ISD) questioned Business Times journalists and took away notebooks and computer files. The preliminary figures were apparently based on leaked information.

According to the Ministry of Home Affairs, the ISD officers were carrying out their investigations in accordance with Singapore's Official Secrets Act. Under the Act, anyone who obtains such information and uses it "in any manner prejudicial to the safety or interests of Singapore" can be jailed for up to two years.

Civil servants have been questioned, as have representatives of foreign investment houses, about the source of the figures.

Minister defends foreign holdings

By Kieran Cooke

MR Richard Hu, Singapore's minister of finance, has defended his government's investments in overseas companies which have run into serious financial difficulties.

In recent years Singapore has been utilising some of its large foreign exchange reserves – now officially put at $38bn – to invest in various companies and enterprises around the world.

In May last year the Government of Singapore Investment Corporation and Temasek Holdings, a state-owned company, bought a 30 per cent stake in Mount Charlotte Investments, the British based hotel chain, for S$821m (£272m at today's exchange rates). The purchase was part of a Singapore government move which also involved acquiring a 4.7 per cent stake in the New Zealand-based Brierley Investments company, whose biggest asset is Mount Charlotte.

Mount Charlotte has severe debt problems and trading in its shares on the London Stock Exchange stopped late last year. Responding to opposition questions in the Singapore parliament, Mr Hu said no loss had so far been incurred on the government's Mount Charlotte shares.

"Shares in Mount Charlotte were purchased as a long term investment. Therefore, the return from this investment can be determined when Mount Charlotte is relisted on the London Stock Exchange," said Mr Hu.

He also said losses on investments in high-tech companies in the US were no cause for concern. Mr Hu said Singapore Technologies Ventures, ultimately controlled by Singapore's Ministry of Defence, had invested S$38m in Silicon Valley companies last year and losses amounted to S$5m.

US direct investment challenges Japanese in Asia

By Victor Mallet in Bangkok

INCREASED US direct investment in developing Asian economies is challenging the conventional wisdom that US corporations must take second place to their Japanese rivals as investors in the region, according to a report by Merrill Lynch, the US brokerage.

In an analysis of investment statistics in its latest Asian Economic Commentary, Merrill Lynch notes that US net direct investment in Asia, excluding Japan, rose 37 per cent last year to $2.29bn (£1.16bn) in spite of the US recession, while worldwide US investment fell 52 per cent.

"US companies took a surprisingly aggressive stance on non-Japan Asia," the report says. "US investments to all other parts of the world fell significantly." Flows of Japanese investment to Asia remained high at $5.94bn in the fiscal year ended in March, but were down 16 per cent from the previous year.

Although the investment figures issued by Japan and the US are not strictly comparable, Merrill Lynch said, the fact that US investors' commitments grew at a time when their Japanese counterparts were cutting back is confirmed by investment approval statistics from recipient countries.

Indonesia, Malaysia, Thailand and the Philippines all recorded increased approvals for US investments in 1991, and decreased approvals for Japanese projects, which suggests the trend of higher US and lower Japanese investments will continue.

One reason for the increase in US investments is probably the renewed regional emphasis on the energy and petrochemical sectors, where US companies are strong.

US investments in the future could also be boosted by the development of financial and computer service industries in Asia and the demand for recreational products such as films, books and even theme parks, Merrill Lynch suggests.

The outlook for investments in the manufacturing sector is more mixed, with US companies continuing to focus on medium- and higher-end industries requiring skilled manpower; the bulk of the $1.2bn of US manufacturing investments in the area in 1991 went to Singapore and Taiwan.

"In the long run, Asia could benefit from a more balanced mix of US and Japanese investments," Merrill Lynch says.

DIRECT INVESTMENT – % change over previous year

Recipient:	Asia (exc Japan)	Europe	N.America	Japan	World
Japan	−15.8	−34.4	−30.8	–	−26.9
US	+36.5	−62.9	–	−23.4	−51.6

Note: Japan figures are FY91/92 vs FY90/91, US figures are 1991 vs 1990.
Sources: Merrill Lynch/US Commerce Dept/Japan Finance Ministry

NEWS: WORLD TRADE

Service industry leaders endorse Nafta accord

By Nancy Dunne in Washington

SERVICE industry leaders, appointed by the White House to make trade policy recommendations, have endorsed the new North American Free Trade Agreement (Nafta) with its wide-ranging provisions opening the highly protected Mexican services market.

This comes in a report by the Services Policy Advisory Committee (SPAC), to accompany President Bush's notification to Congress that a pact has been reached between the US, Mexico and Canada. Congress requires reports from private-sector advisory panels, to help members weigh trade pact benefits and drawbacks.

The report contains important annexes by dissenting members. Mr John Adams, a Natural Resources Defence Council environmentalist, said the accord lacks "sufficient environmental safeguards". He urges Congress to "condition final approval on strengthening measures that link environmental protection with North America's economic integration". Congress members they may block Nafta if environmental and labour provisions are not strengthened.

Mr Jason Berman, president of the Recording Industry Association, said Canada's exemption for cultural industries should be matched by a warning the US will respond to Canadian discrimination against US copyright interests. Mr John Sweeney, president of the Services Employees' International Union, said Nafta should be renegotiated, and pledges sought to improve environmental and labour standards and protect workers' rights to unionise.

But sentiment among the committee's 37 members, headed by Mr John Reed, Citicorp chairman, is enthusiastic. Nafta's recognition of broad principles covering all services was an achievement hard to overstate, the report says. "Services" were defined "so that service businesses not now in existence will receive the benefits of the agreement".

Foreign service providers are at present restricted in Mexican operations. Under Nafta, US and Canadian service providers will be treated the same as Mexican companies, unless their services are specially exempted. Civil aviation, maritime and basic telecommunications services are not covered by the pact; banks, insurance and securities have limits to be gradually phased out. Services and investment liberalisation is so extensive that US business may have trouble accepting anything less restrictive under the Uruguay Round; i.e., US and Canadian service-sector companies in Mexico will be exempt from export, import and domestic content rules.

See Commodities Page

Canberra protests at US wheat for Pakistan

By Emilia Tagaza in Canberra

CANBERRA yesterday protested against the US sale of 220,000 tonnes of subsidised wheat to Pakistan, part of the 800,000-tonne package the US recently announced under its Export Enhancement Programme (EEP).

Mr John Kerin, trade minister, and Mr Simon Crean, primary industries minister, called the sale inconsistent with President Bush's pledge to use subsidies only against the Europeans.

Mr Kerin rejected the US claim that the EC was about to go into the Pakistan market with huge price undercutting. "Pakistan is not a significant market for the EC; sales were only 4 per cent in 1991-92. This is the first sale under EEP to Pakistan, a valuable market for Australia." Canberra would ask US officials to explain.

Taiwan set for early Gatt entry

By Frances Williams in Geneva

BARRING unforeseen hitches, Taiwan's application to join Gatt will be given the green light when the organisation's governing council next meets on September 29.

Taiwan applied for membership of the 105-nation world trade body in January 1990 as an autonomous customs territory, the formula used by Hong Kong and Macao when they joined Gatt with China's agreement. But objections from Beijing, which has been negotiating since 1987 to resume China's Gatt place, have until now held up the formal decision to set up a working party to negotiate Taiwan's entry terms.

Gatt developing-country members have been reluctant to bless Taiwan's candidacy without China's endorsement. Beijing left Gatt in 1950 after the Communists came to power and Taiwan was expelled when China took its UN seat in 1971.

Under the terms of an unwritten understanding reached last spring between China, the EC and US, China will rejoin Gatt before Taiwan is admitted, though possibly only minutes ahead. Trade officials in Geneva say the delay was due to legal wrangling over whether a customs territory could join Gatt without a country "sponsor" (Hong Kong and Macao were sponsored by Britain and Portugal) and Chinese objections to the name Taiwan.

Gatt members have now agreed that Taiwan will be known as Chinese Taipei, the name it uses for membership of the International Olympic Committee and Asian Development Bank.

Once a working party is set up, entry terms for Taiwan could be drafted in 12 months, since Taipei has already moved to make its trade regime more compatible with Gatt rules. But Taipei may have longer to wait since China's membership bid is being held up by trade frictions with the US.

Drive to give third world farmers fair deal

An assault on EC agricultural subsidies is launched today, writes **David Dodwell**

CHRISTIAN AID today launches a two-year campaign to encourage "fair trade", with an assault on the European Community's Common Agricultural Policy (CAP), support for a "Fair Trade Mark" and a call for coffee-lovers to drink Cafédirect.

The campaign will highlight how third world poverty is closely linked with entrenched and "exploitative" trading relationships.

> The campaign will highlight how poverty is closely linked with entrenched and 'exploitative' trading relations

Christian Aid, along with other leading UK charity groups, aims to persuade today's school-leavers to spend a bigger share of the £1m they are likely to earn in their working lifetimes on products that give third world producers a fair deal. It is backing the "Fair Trade Mark", which from January next year will pinpoint such products.

It aims to encourage shops, especially supermarkets, to stock fairly traded goods, and customers to use their shopping baskets to ease third world poverty.

The perfect example of a "fair trade" product is Cafédirect, a high-quality ground Arabica coffee bought directly from farmers in Mexico, Costa Rica and Peru.

Instead of paying farmers the prevailing world market price for coffee, currently so low that it has swept many of the world's coffee producers to destitution, the charitable consortium, which has been selling Cafédirect since November last year, pays an agreed fair price.

It commits itself to a long-term contract with democratically run farmers' organisations, and pays 60 per cent of the cost in advance, taking no more than 30 per cent of a farmer's harvest.

A breakthrough is hoped for this autumn as the consortium negotiates for the Safeway supermarket chain to take Cafédirect nationwide. A trial currently involves 54 Safeway stores in Scotland.

Monthly sales of about 11,000 ¼lb packets, mostly through delicatessens, or health food and charity shops, would surge if this "fair trade" coffee were available on supermarket shelves.

Cafédirect campaigners model their hopes on the Max Havelaar Foundation in Holland, which has over three years made a significant impact on the country's ground-coffee market. Unlike Cafédirect, it does not provide a branded coffee, instead putting its "fair trade" mark on coffees imported on fair trade terms.

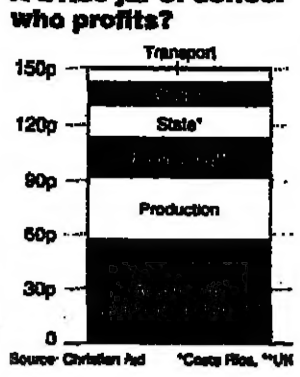
Today it accounts for 2,800 tonnes of imports, up from 200 tonnes in 1988. Coffee carrying its mark accounts for annual sales worth Fl 40m (£12.6m), about 2 per cent of the national market for ground coffee.

It is available in 90 per cent of the country's supermarkets. Only Douwe Egbert, the national leader in the coffee market, accounting for 45 per cent of sales, has refused to collaborate with Max Havelaar by using its mark.

Max Havelaar coffee has become a market leader in Switzerland, is sold in Belgium, and is soon to be launched in Germany and France. The foundation plans to extend its mark to cocoa and drinking chocolate in spring next year, according to Mr Bert Beekman, its spokesman.

Few would claim that Max Havelaar can be any more than a niche product, mainly because it costs up to double the price of normal ground coffees. According to Mr Erich Muller, spokesman for Ahold, Holland's leading supermarket chain: "It's a special part of the public that is interested in the problems of the third world. For most, price is the most important matter".

A £1.50 jar of coffee: who profits?



But according to Christian Aid's Peter Madden, Cafédirect, like coffees carrying the Max Havelaar mark, has an importance far beyond its sales figures: "Cafédirect is not an answer to faults in the world trading system, but in campaigning terms it's a very effective way of getting people aware and interested."

Britain's leading third-world aid agencies have become increasingly aware in the past decade that aid alone can do limited good without reform to the trade system. The agencies note that Ethiopia received during the famine year of 1985 a total of $3bn (£1.58bn) in aid.

But in the same year, the collapse in world prices for raw materials such as coffee and copper meant rich countries paid $19bn less for what they bought from Africa.

They blame CAP subsidies for impoverishing third world farmers, because these effectively shut the EC market to third world exporters, and because of the scale on which surplus EC farm products are dumped on the world markets, often depressing prices below the costs of production.

Christian Aid will note today that a European cow receives twice as much in EC subsidies as the average income of a third world farmer.

Of more immediate relevence to the average European shopper is the fact that each family spends about £16 a week through higher taxes and food prices because of the CAP, which alone consumes 60 per cent of the EC's budget.

Christian Aid argues that fair trade will benefit all, not just because a wealthier third world would provide a market for goods and services from industrial countries, but because it would also lessen the global dangers of conflict, environmental catastrophe and mass migration.

Italians awarded $1.7bn Iran gas field contract

By Robert Graham in Rome

SAIPEM, the engineering services subsidiary of ENI, the Italian state oil concern, and the private-sector Tecnologie Progetti Lavori (TPL), have been awarded a $1.7bn (£890m) contract by the National Iranian Oil Company (NIOC) to develop the Gulf offshore South Pars gas field.

The field, in the centre of the Gulf, abuts Qatar's North Dome gas field. The contract envisages developing 20 offshore wells, a gathering system for gas and condensates, six offshore platforms and 200km of underwater pipes. A gas treatment and condensate plant will be built on land.

Work is set to start at once, with completion in 1996 and planned output of 1bn cu ft of gas a day and 50,000 b/d of condensates. Sub-contractors are Mitsubishi of Japan and Machinoexport of Russia.

The deal confirms the leading presence of Italian business in Iran and confirms the two sides have put behind them the long saga of debts due to Italy as a result of construction of the Bandar Abbas port under the late Shah.

The contract was signed in Tehran yesterday, in spite of rising tension over Iran's presence on the disputed Gulf island of Abu Musa.

Japanese quit Malacca oil refinery project

By Kieran Cooke in Kuala Lumpur

PETRONAS, Malaysia's state-owned oil company, has confirmed the Idemitsu Kosan company of Japan has pulled out of a venture to build an oil refinery near Malacca on Malaysia's west coast.

Idemitsu Kosan had a 40 per cent stake in the 100,000-barrel-a-day project, Petronas holding 45 per cent and Samsung of Korea 15 per cent. Idemitsu said the parties involved had failed to reach a project implementation schedule.

The refinery is a key element in Malaysia's plan to become a big exporter of refined petroleum products over the next few years. At present, it has four refineries with combined capacity of 220,000 b/d. Most of its refined oil goes to the domestic market. The Malacca project will refine imported crude for re-export. Its estimated cost, with another facility at the same site, is $2bn-$2.4bn (£1.05bn-£1.26bn).

Mr Azizan Zainal Abidin, Petronas president, said the Malacca project would be subject to some delay due to the Idemitsu pull-out. Petronas was holding talks with a US group and several Middle East companies, with a view to forming a new partnership for the project.

Toyota offshoot to make more car components

NIPPONDENSO of Japan has said its Barcelona-based Nippondenso Mfg (Barcelona) will raise its output of car electronic components in 1994, Reuter reports from Tokyo.

The Spanish unit, which produces 1m car-engine ignition systems a year, will also have a yearly output of 100,000 electronic control units for use in engines and 50,000 for use in air-conditioning systems.

Investment costs for the new project will be Y2.4bn. (£10.2m). The products will be supplied to Toyota Motor's UK plant and Rover Group of Britain.

Toyota owns 23.5 per cent of Nippondenso.

Proton plans UK and EC expansion

By John Griffiths

PROTON Cars (UK), which imports Malaysia's national car to the UK and is part owned by the Inchcape Group, has acquired a new 30-acre import centre and distribution headquarters in Bristol with the capacity to handle 45,000 Proton cars a year – nearly three times its current sales volume.

The importer, based near Birmingham, expects to be using all its new capacity before the end of the 1990s as a result of production increases and a wider range of models on offer from the Malaysian manufacturer, according to Mr Peter King, the UK company's managing director.

Proton (UK) is trying to recruit a further 25 dealers to bring its UK total to 250, up from fewer than 160 at the time of Proton cars' UK launch about three years ago.

Mr King said yesterday that negotiations had begun on the possible launch of the cars in continental European markets within two to three years. The UK is currently the only European outlet for the cars.

Proton cars, in which Malaysia's state industrial holding company has a majority stake, plans to increase production from 120,000 units last year to 250,000 by the mid-1990s. This will include the capability to build left-hand drive vehicles and a greater variety of models. Like the UK, Malaysia is a right-hand drive market.

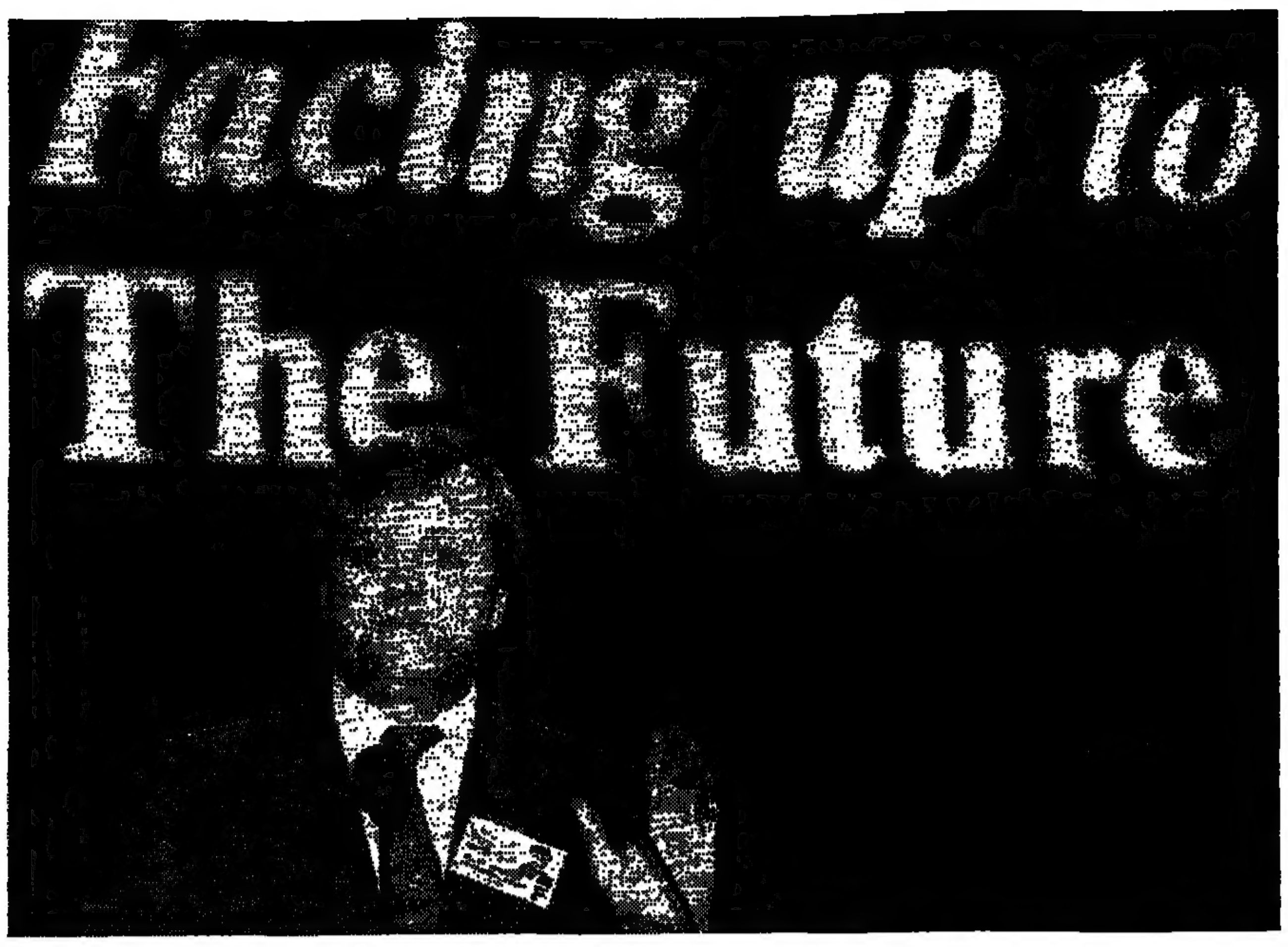
While the British company holds distribution rights for the Proton only in the UK, it believes it is well placed to extend its distribution role for the cars into continental Europe, particularly given the additional expertise now available to it through the Inchcape Group, the international trading house.

Inchcape, which derives roughly half its income from worldwide vehicle sales and distribution activities, has been among the UK groups most actively seeking post-1992 single market opportunities on the continent. It has been doing so mainly through its Mann Egerton subsidiary.

Proton Cars (UK) is 60 per cent owned by the David Brown group, 30 per cent by Inchcape, 6 per cent by Mr King and 4 per cent by Mr John Miller, its finance director.

Launched three years ago, Proton is one of the UK's fastest growing new car franchises. Sales rose from 6,555 in 1989 to 14,026 in 1991, with a projected 15,750 this year.

Mr King forecast yesterday that Proton's sales next year would rise to 17,550, increasing its market share, while the market was expected to remain constant at this year's heavily depressed 1.6m units.



Tension for Lib Dems over pacts

By Philip Stephens

MR CHARLES KENNEDY, pictured left, yesterday urged Liberal Democrat activists to cut through theoretical debates about deals with the opposition Labour Party to confront instead the threat that the Conservatives were becoming permanently entrenched in government.

In a speech to the Harrogate Conference, the president of Britain's minority third party, sought to defuse the tensions which have built up among delegates over the potential for pacts with Labour.

He called for the Liberal Democrats to devote their energies to building an "intellectual framework which challenges the Tories' appeal to self-interest, but not in the same patronising of paternalistic way". Mr Kennedy, who favours keeping open the door to cooperation with Labour at some stage in the present parliament, said the Liberal Democrats should seek to become a "catalyst" for reform in British politics.

Lib Dems split on Maastricht referendum

By Philip Stephens

THE leader of Britain's Liberal Democrats, Mr Paddy Ashdown, has been forced to tone down his support for a referendum on the Maastricht treaty after the idea came under strong attack from within his own party.

Senior party officials at the party's Harrogate conference said that a rebellion against Mr Ashdown's stance among Liberal Democrat MPs had forced the leader to agree not to promote the demand as party policy.

At what some officials described as an acrimonious meeting of the 20 MPs, who form Britain's minority third party, an informal deal was struck allowing Mr Ashdown to continue to voice support for a referendum when pressed, but constraining him from actively campaigning for one.

It is understood that more than half-a-dozen of the party's MPs, including Sir David Steel, the foreign affairs spokesman, have said that they would not back a plebiscite in any debate in the House of Commons. They argue that a referendum would undercut the party's commitment to representative democracy.

Mr Ashdown has argued for a referendum on the basis that the constitutional implications of the Maastricht treaty - with its commitment to monetary union and shared decision-making on defence and foreign policy issues - are sufficiently important to merit a popular vote. He believes that a national debate would isolate the minorities in the Conservative and Labour parties arguing against closer European integration.

The Liberal Democrat leader also has argued privately that a referendum in which his party was campaigning alongside Labour politicians for a Yes vote would enhance the prospect of wider cooperation between the two opposition parties. Mr Ashdown has recalled that the referendum in 1975 on British membership of the Community provided the springboard for the subsequent Labour pact with the Liberals.

But even some of those MPs who back the idea of a referendum are cautioning that party activists might well refuse to mount joint campaigns with Labour.

● DEVELOPING the United Nations as a supra-national authority able to intervene in countries' internal affairs was the way to tackle the global problems since the end of the Cold War, Sir David Steel, the party's foreign affairs spokesman and its former leader said yesterday, *Alison Smith* writes. Had the Liberal Democrats' proposal for a permanent UN peacekeeping force been adopted, he said, the organisation would have been able to have been much more effective in its efforts to bring peace to the former Yugoslavia.

Study alleges reluctance to crack computer crime

By Alan Cane

BRITISH business is shutting its eyes to the risks of unauthorised interference with its computer systems which may be costing it up to £2bn a year, according to a report.

The report, commissioned by the Department of Trade and Industry and published yesterday, says there is widespread ignorance of the Computer Misuse Act (CMA), passed two years ago to crack down on the growing problem of computer "hacking". It adds there is a reluctance to use the law to pursue computer criminals.

The DTI study was carried out by Coopers & Lybrand, the management consultancy, with Cameron Markby Hewitt, the law firm. It set out to establish if the effectiveness of the CMA was being undermined by a shortage of information about computer misuse and a lack of expert advice to industry, commerce and the police for the pursuit of cases.

Hacking involves breaking into computer systems out of curiosity or to perpetrate fraud. Other computer crimes include programming "viruses" or "time bombs" – software that subverts or damages computer systems.

The report recommends measures to highlight the risks and costs involved in computer misuse and suggests the Home Office should consider setting up a national computer crime unit. It also proposes a directory of established computer security experts.

Mr Edward Leigh, the trade and technology minister, welcomed the report. He said the DTI had arranged seminars in London, Manchester, Bristol and Birmingham for later in the year to consult business about the wider implications.

Computer security experts said the study would raise awareness of security issues among firms. Mr Alan Stanley, of the European Security Forum, whose members include many of Europe's largest companies, said firms were unwilling to admit instances in which the security of their computer systems had been compromised. This made it impossible to compile a data base showing the extent or cost of computer misuse.

The report concludes there is no shortage of computer misuse experts, but their skills are under-employed because businesses find it hard to identify "reliable" suppliers of authoritative advice and prefer to deal with computer crime internally.

The CMA defined three new offences – unauthorised access to computer programmes and data (or "hacking"), unauthorised access with further criminal intent, and changing the contents of computer programmes or data. Penalties range from a fine of £2,000 and/or six months in jail to an unlimited fine and five years in jail.

The study shows that a small group of large companies, chiefly in the financial sector, is fully aware of the risks. A larger group of smaller organisations sees little or no threat from computer misuse.

Dealing with Computer Misuse; inquiries to the DTI, (44) 71 215 5000.

Leaders say UK unions winning increasing share of EC funding

By David Goodhart, Labour Editor

THE European Community is giving about Ecu10m (£7m) a year to British trade unions, according to UK union leaders.

No precise figures on EC funding of trade unions are available, but Mr Glyn Ford, leader of the European Parliament's Labour group, estimates that European unions receive roughly Ecu50m a year from the Community. Of this total, British unions are winning an increasing share, say union officials.

Some is earmarked for projects such as the UK unions' share of the Ecu14m set aside for a meeting of unions to discuss the setting up of European-wide works councils in multinational organisations. The EC also supports various union organisations, such as the European Trade Union Institute and the union-run Health and Safety Centre in Brussels.

In 1990, UK unions affiliated to the Trades Union Congress spent £420m, received £364m in subscriptions, and made up most of the shortfall from investments. Resources from the EC form a small part of union income but are growing in importance, especially in trans-European work.

British unions, led by the GMB general union, are set for a new push to establish European works councils in UK multinationals, such as Pilkington. The European TUC calculates that there are 21 European works councils recognised by employers, such as those at Volkswagen and Bull. As many again are not recognised.

None of the 21 councils are in UK-based multinationals, in spite of the fact that 35 per cent of all companies that operate in two or more EC countries are UK companies, and the bigger UK unions are now planning to change this.

● The Co-operative Bank is to set up a European-style works council, in spite of opposition from Bifu, the banking union, according to Personnel Today.

Leak of Dublin game-plan strains talks on N Ireland

By Tim Coone, Dublin

AN Irish government position paper on Northern Ireland was leaked yesterday, raising the stakes at round-table talks on the province's future which are due to resume at Stormont today, and drawing an angry reaction from the Democratic Unionist party.

The paper confirms the Irish government's stated willingness to negotiate its territorial claim to Northern Ireland, but says important concessions will be required from Ulster's unionists in return.

Mr Peter Robinson, deputy leader of the DUP, said yesterday: "It is clear the message the Irish government wants to give is that it is digging in its heels."

He and the Rev Ian Paisley, the party leader, walked out of the talks – which involve the British and Irish governments and the four Ulster constitutional political parties – last week, saying that unless the Irish Republic "realistically addresses" its territorial claim to Northern Ireland, they will not participate further in the negotiations.

The Ulster Unionist Party leader, Mr James Molyneaux, has warned that the unionist parties will withdraw from talks in the coming weeks if there is no indication of progress on this issue. Both parties want the Irish government to commit itself to a referendum to amend articles 2 and 3 of the republic's constitution.

Mr Robinson said yesterday: "We cannot have any relationship with the Irish Republic while they have a territorial claim over Northern Ireland."

The Dublin-based Irish Times yesterday published extracts from an Irish government position paper submitted to the talks on August 28.

One extract says the Irish government "does not rule out constitutional change resulting from the present negotiations" but adds that the Irish electorate will be "sensitive to the impact of any proposed amendment on the position of the nationalist minority in Northern Ireland", whom it describes as "victims" of the Government of Ireland Act, which partitioned Ireland in 1920.

The extract goes on to say that if proposals for constitutional change were to "include changes to the Irish constitution, the strength and quality of the link between both parts of Ireland would be one of the important factors in shaping the judgment of the electorate in this regard".

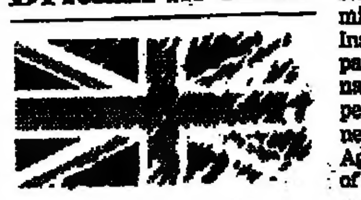
The foreign ministry in Dublin commented that the talks were confidential and it was regrettable that there should be "continued leaks", which made it difficult for participants to reveal their positions. Yesterday's leak had "not come from Dublin sources".

IRISH CONSTITUTION'S KEY POINTS FOR NEGOTIATIONS

Article 2. The national territory consists of the whole island of Ireland, its islands and the territorial seas.

Article 3. Pending the re-integration of the national territory, and without prejudice to the right of the Parliament and the Government established by this Constitution to exercise jurisdiction over the whole of that territory, the laws enacted by that Parliament shall have the like area and extent of application as the laws of Saorstat Eireann (the Irish Free State) and the like extra-territorial effect.

Britain in brief



City may defend role in rates row

Leading City of London institutions were considering making a forthright statement in defence of unrestricted foreign exchange markets, because of concerns that the markets and dealers are being blamed for the inability of the UK Government to reduce interest rates.

The Bank of England has been approached to join with the Corporation of London and leading banks in making a public statement that unrestricted flows of capital in foreign exchange markets are positive for the economy.

"Politicians are representing the free markets as a bad thing", said an executive involved in the discussions. "We fear that the general public blames the City for the country's economic problems."

Radio launch postponed

The Radio Authority, the regulatory body for commercial radio, has decided to postpone the launch of Britain's third national commercial radio station until the spring of 1995.

The delay is partly because of the recession but mainly, according to Lord Chalfont, the authority chairman, to allow "a kind of orderly progress in the development of the radio regime."

1,400 coal jobs lost

British Coal will close Trentham colliery in Staffordshire, with the loss of 1,400 jobs, the company announced yesterday.

The closure of Trentham, near Stoke-on-Trent, leaves only one pit, Silverdale, in the North Staffordshire coalfield.

British Coal said the pit, which produced over 2m tonnes a year, but has lost £20m in the current financial year, had no future.

Ulster textile jobs boost

More than 500 new textile jobs are being created in Northern Ireland.

An Indonesian company is moving into a disused factory at Antrim to produce microfibre and although an official announcement is not expected before the end of the month authoritative sources in Belfast today confirmed the major project.

Top Ulster industrialists have been to Jakarta for talks to agree the investment, one of the largest in the province.

Negotiations between the Northern Ireland Industrial Development Board, the textile group Texmaco and the company's partner in the multi-million pound project - Eastman Chemical Company, a division of American photographic giant Kodak - have been under way for some time.

Private rents up sharply

The deregulation of the private rented sector has led to a sharp increase in the level of rents in England, according to a government survey.

The latest Environment Department survey on private renting shows that the average rent for all tenancies in 1990 was £43 a week, compared with £30 a week in 1988. This 43 per cent increase followed the deregulation of rents on new tenancies in the 1988 Housing Act.

Of the 1.6m private tenancies in 1990, 483,000 had been created following the 1988 Act. Rent levels for these new tenancies were much higher than the average for all tenancies: £66 a week on average for assured shorthold tenancies.

OAP policy in question

The survival of universal state old age pensions is called into question in the first of a series of reports on older people in Britain.

It is, says the report, no longer the case that all pensioners are poor and a "state transfer to all pensioners no longer represents a well-targeted benefit." With private pensions forming the greater part of a majority of pensioners' income, says the report, a case can be made for spending most of the state's resources on the poorer minority. The report, by the Institute for Fiscal Studies, is part of a wide-ranging examination of issues affecting older people co-ordinated by the Carnegie Inquiry into the Third Age; from 50 years to 74 years of age.

Code urged for green audits

Companies should be required to publish details of their environmental policies and their performance in meeting green objectives, a group of influential accountants and industrialists said yesterday.

The Stock Exchange and the Financial Reporting Council should consider formally encouraging companies to provide environmental information, according to a document published by the environment research group of the Institute of Chartered Accountants in England and Wales.

Row over Le Pen invite

Sir Norman Fowler, attacked Mr Tony Blair, the shadow home secretary, as the row over a right-wing pressure group's invitation to two prominent European neo-fascists to address a meeting in Brighton to coincide with next month's Conservative conference took a fresh turn.

The Tory party chairman objected to remarks attributed to Mr Blair and published in a national newspaper. He said it was "regrettable" that a senior Labour politician should choose to exploit the "publicity-seeking antics of an extreme, anti-Conservative group."

Le Pen: invited

He described Mr Blair's comments linking the invitation from a group called Western Goals to the Tory conference as "entirely untrue."

He said that neither Mr Jean-Marie Le Pen nor Ms Alessandra Mussolini, the two invitees, was attending the Conservative party conference. "No-one in Western Goals is known by Central Office to belong to our party."

Mr Blair said he was not suggesting that the Tory party itself had the pair. He urged the party to "use its best endeavours" to have the invitations cancelled.

Liquidity falls for companies

Company liquidity for big UK manufacturing companies fell in the second quarter compared with the first quarter. According to the Central Statistical Office the liquidity ratio for these companies fell from 119 per cent at the end of the first quarter to 112 per cent at the end of the second.

The ratio for non-manufacturing companies rose. At the end of the second quarter it was 151 per cent compared with 145 per cent at the end of the first quarter and 140 per cent at the end of the fourth quarter last year.

Overall, liquidity for big industrial and commercial companies fell from 130 per cent at the end of the first quarter to 127 per cent at the end of the second.

Ruling close on perfumes

The Office of Fair Trading confirmed that its response to complaints about restrictive distribution arrangements in the perfume industry was "imminent".

"It is one of a number of subjects which are going up to Sir Bryan [Carsberg] pretty soon and you may have noticed he arrives at decisions fairly snappily," the OFT said, referring to its newly-appointed director general.

The Superdrug chain, run by the Kingfisher group, lodged a complaint with both the UK and European Commission competition authorities earlier this year after several leading perfume companies refused to supply the drugstore chain.

The European Commission said the matter did not fall within its remit but should be investigated by the UK competition authorities under the principle of subsidiarity.

The Docker would.

The Knocker wouldn't.

Ride a mountain bike on mountains.

Having made a fortune selling records, start an airline.

Kiss and not tell.

Work during Ascot week. (But take a day off to go to your son's sports day.)

Carry a donor card.

Sell snails to the French.

Speak to foreign clients in their own language.

Appoint a woman managing director.

Take a bite on a barge in London Docklands.

Get our best artists to design our currency notes.

Take his wife to dinner. In Paris.

Become a vegetarian but for a life-long love affair with bacon sarnies.

Sponsor drama, opera, the arts. (So long as they go on tour.)

Give a baby a cuddle, not a dummy.

Reverse the brain drain: hire American whizz kids.

Know where to find a bottle bank.

Make exploratory business trips to Eastern Europe.

Discover how easy it is to fly from London City Airport.

Use trainers to train in.

Rather talk to colleagues than write memos to them.

Take David Gower to India.

Drive an electric car.

Know how to open a can of beer when the ring pull has snapped.

Occasionally let children win at Snap.

Send grandparents' day cards.

Prefer to own a real painting by an unknown than a famous print.

Loop-the-loop for charity.

Never lose contact with a customer.

Or other companies' customers.

Know that 22 species of fish are to be found in the London Docks.

Queue overnight to get a seat at Wimbledon.

Encourage a child who wanted to be a drummer.

Share a bath to save water.

Make a short speech when winning an Oscar.

Forgive Bernhard Langer his missed putt to lose the Ryder Cup.

Know the saving in overheads by moving to London Docklands.

The Cadbury committee wants to see new faces among the non-executive directors of British companies. **Norma Cohen** investigates

Passing the hat round

'The problem is not that suitable candidates do not exist, but that companies have too narrow a notion of the kind of person that would fit the role'

Sir Adrian Cadbury, the courtly chairman of a panel studying corporate governance in the UK, caused a storm when he casually suggested that the days of multiple non-executive directorships were coming to an end.

Howls of protest emerged and Sir Adrian quickly explained that what he meant to say was that while holding several non-executive directorships could be a good thing, holding too many might make it difficult to do the job properly.

His remarks underscored a fact of life that those seeking to improve the performance of corporate boards have known for some time: the pool from which non-executives are selected is too small. Indeed, the expanded demand for non-executives means that a small number of individuals are being forced to wear too many hats.

Increasingly, a handful of corporate insiders are called upon to do a job which really calls for an outsider. "If you confine the pool to those who are on the boards of other corporate plcs, they will have the same mind-set as those who are there already," Sir Adrian said.

The Committee on the Financial Aspects of Corporate Governance, chaired by Sir Adrian, has urged a much greater role for non-executives.

The problem is not that suitable candidates do not exist, but that companies have too narrow a notion of the kind of person who would fit the role.

Pro-Ned, the Bank of England-backed organisation that promotes non-executives, has a list of about 750 individuals who it says have all the characteristics to be good non-execs but who are rarely asked. Bruce Rhodes of Pro-Ned says that roughly 100 approaches are made each year to Pro-Ned from companies looking for a qualified non-executive but that only a handful are actually selected from its list.

The list is compiled from those who have sent in their CVs to Pro-Ned. For every five applicants, Pro-Ned is only able to add one individual to its list. Rhodes said that the organisation sees little point in maintaining individuals on its list who are unlikely to fit the requirements of any company.

"It is natural for members of a team to look for others who will fit in easily," Sir Adrian said, delicately explaining why companies were so reluctant to broaden their horizons. Most boards, according to Pro-Ned, are unwilling to accept anyone who has never previously served on a UK corporate board.

Thus, an incestuous group of directors move from one company to another wearing, at various times, executive and non-executive hats.

Rhodes notes that such practices mean that women are under-represented on boards.

Meanwhile, Pro-Ned says that the way in which vacant non-executive posts are filled usually ensures that the pool will remain narrow. Typically, a board chairman will ask other board members for recommendations.

Fewer than 20 per cent of all non-executive directorships are filled with the aid of an independent search party and, frequently, the outside adviser is none other than the company's investment bank.

Of Pro-Ned's list, roughly 5 per cent are academics and another 5 per cent are from the public or voluntary sector. Among its small number of successful placements of academics was that last year of Nancy Lane, a microbiologist at Oxford University who is now a non-executive director at medical supply company Smith & Nephew.

Rhodes points out that an individual who has had experience running, say, a large university, voluntary aid organisation or NHS hospital may have, in practice, been running a company larger than many UK plcs.

Also on the list are divisional heads of some of Britain's largest companies such as British Petroleum and ICI that have a policy of encouraging such individuals to take on non-executive directorships.

But many on the list, with apparently suitable qualifications, are never even approached. Chris Higgins, chairman of Bradford University Research – the university's commercial research arm – has been on Pro-Ned's list for five years and has never been interviewed.

A Cambridge University physics graduate and an expert in electronic systems, he was a non-executive director of food retailer Amos Hinton before it was acquired by Argyll. He had also been the director of Bradford University Business School.

Higgins said his name was put forward several times by Pro-Ned to companies seeking a non-executive but he has never been interviewed. "When I was accepted on the list, Pro-Ned gave me a list of five categories that companies hate most. Military men, academics, management consultants, bankers and retired people." With his CV falling squarely into two of those categories, Higgins figures his chances are slim.

Sugarloaf for lunch on the road to Rio

Christina Lamb continues our series on business entertaining

The city of Rio de Janeiro may be well down the road to decay but the art of lunching is alive and kicking. Deals are rarely made over the meal – what is traded is information, a vital commodity in a country of such instability. Consequently the main item on the verbal menu is *fofoca* – the latest gossip from Brasilia. Will the government announce another economic shock plan? What are the latest ways to make money from inflation? Currently most in demand over lunch are outrageous stories on the extent of corruption in high places.

But amid all the rumours and uncertainties, business people in Rio do not lose sight of the pleasure of good food and, as a tourist resort, former capital and one-time centre of the Portuguese Empire, Rio has plenty to offer.

Many of the restaurants in the centre are dark and smoky, full of thickset men in square-shouldered suits and dark glasses, huddled together eating enormous steaks in a conspiratorial manner.

Food with a view is on offer in one of the world's most beautiful cities

However, the newest place to be seen, called Grill One, is bright and airy, set on top of the city's most modern office block and reached by glass lifts with views over the port. It is crowded and vastly overpriced and one can wait an hour for a table, even with a reservation.

Rio offers the ultimate vegetarian nightmare in the shape of the *rodizio* - a restaurant where you can eat as much meat as you can stomach. Take your table and prepare to be attacked by a constant onslaught of waiters holding enormous spear-like skewers bearing everything from chicken heart and sausages to filet mignon.

For something lighter try Mosteiro in the shadow of the Sao Bento monastery, where seafood is more the order of the day. The speciality of the house is *casquinha de siri*, delicious spicy crabmeat inside a half shell brought to you while you peruse the leather-bound menus. As you sit down, the white-jacketed waiters have an alarming tendency to emerge from the walls in large numbers, almost as if they were about to start formation dancing.

If food with a view is more to your taste in one of the world's most beautiful cities, then there are various choices in or near the centre. Rio's on Flamengo beach serves "international cuisine" but, to compensate, has a splendid view across the bay to the palm-fringed yacht club with the Sugarloaf mountain towering above.

La Tour is possibly one of the world's most bizarre restaurants. Revolving on top of the city's largest tower it offers spectacular views but be warned – the terrible creaking sound, variable speed and indifferent food, often produce a greenish hue in the faces of lunchers. Worse, the tables go round but the waiters and food trollies remain on the central plinth which does not move, so it can take several rotations to make a choice.

Rather more civilised is Maxims on the roof of the Rio Sul tower which reopened in 1988 after a first experiment led to bankruptcy. Rio's picture postcard scenery is spread beneath and the prices are far more accessible than Maxim branches in New York or Paris.

Perhaps the best restaurant is Santa Fe, hidden away in the cobbled alley just behind the stock exchange. Salads and sandwiches have actually been seen here.

But the biggest treat in town is the weekly *feijoada*, the Brazilian national dish. Originally slave food, it comprises a stew of pig bits and blackbeans served with rice, kale, orange and manioc flour. Traditionally eaten on Friday or Saturday, the best restaurants separate the ears and trotters from the nicer parts for those with a delicate stomach.

Lastly and most importantly, do not expect to pay by credit card. With inflation running at 23 per cent a month, plastic is only marginally more useful than Monopoly money.

Menu

Spicy crabmeat in shell

Stew of pig parts and black beans

Doce de coco (milk, sugar and coconut)

Cafezinho (small, black extremely sweet coffee)

Why you should take asthma seriously

Do you suspect you have asthma? If you experience shortness of breath or persistent coughing or wheezing, the first thing is to seek medical advice on beginning diagnostic tests. If your doctor has eliminated other potential reasons for the symptoms – for example heart and vascular causes, lung disease or bronchial obstruction – and has said you have asthma the diagnosis should be taken seriously.

The condition, which is caused by mucus build-up, bronchospasm and inflammation, is potentially life-threatening.

You need not forego an active lifestyle just because of asthma, as many top-flight athletes with asthmatic conditions have demonstrated.

With care, you should be able to enjoy normal sleep and normal activity.

If your asthma is related to exercise, Professor Bryant Stamford, writing in the journal, *The Physician and Sportsmedicine*, offers some sound advice: exercise in warm, humidified air (such as swimming pools); breathe through your nose; control breathing to avoid hyperventilation; and follow daily and pre-exercise prescriptions as laid down by your doctor.

Find out what exactly is triggering your attacks. While respiratory infections are among the most common causes of asthma attacks, allergens may include: ambient smoke and dust, mold, cold dry air, perfumes, certain food ingredients, enzymes in household cleaners, environmental pollution and pollen.

Working closer with your doctor, controlling the necessary environmental conditions and learning as much as possible about your condition will enable you and your family to expect a full and active life.

Dr Michael McGannon

The author is the medical director of the Insead Business Health course.

BUSINESS AND THE ENVIRONMENT

Andrew Jack argues that without approved guidelines, companies' environmental disclosures invite criticism

Style without substance

Fans of the Body Shop may have been impressed when the company produced a "green book" earlier this year to accompany its annual report. But while the text gushed over the company's achievements in 47 pages, one independent eye was rather more circumspect.

A statement at the end from Arthur D Little, brought in as independent consultants, or "verifiers" of the information in the report, said it was "impressed" by the company's "leading role in promoting environmental excellence".

But it added that the Body Shop still needed to assess areas such as the impact of its manufacturing wastes and pollutant emissions, and to develop a formal audit programme.

It stressed that it only examined one of the company's plants, that it did not conduct a comprehensive environmental audit, and that it did not validate figures quoted by Body Shop on issues such as raw material and energy consumption and waste.

The report raises both good and bad points in the emergence of environmental auditing. While a handful of companies are beginning to take the publication of their green impact seriously, the results can be disappointing and limited.

A survey earlier this month by Company Reporting, the Edinburgh-based monitoring service of company accounts, showed that 23 per cent mentioned environmental information in their most recent annual report, up from 10 per cent 14 months earlier.

There has been a corresponding growth in independent consultancies to meet these new demands. Environmental Data Services, a green information organisation based in London, is about to issue its third annual directory of environmental consultants. Stewart Foxon, who has been co-ordinating the project, says he has heard estimates of more than 1,000 firms claiming to provide green advice.

His new directory, which is rather more selective in choosing "mainstream" firms, will list 350 consultancies employing more than 10,000 people and with an estimated turnover last year of £350m.

The growth in environmental consulting in the last few years has been staggering. The first edition of the directory in 1990 listed 125 firms. Last year's contained 225 with a turnover of £200m. The new version will show that one third of the firms expect their turnover to double within the next five years.

It will show that roughly 18,000 contracts were awarded to the consultancies in the last year. Most of the work related to contaminated land and water pollution. Environmental auditing alone represents a growing field, up from 5 per cent last year to 8 per cent.

As more companies lay claim to the green mantle in their annual reports and publicity material, a growing number of consultancies are emerging which offer data to fill the space. Quality can leave much to be desired.

The pressure to gather environmental information reflects rapidly growing public and political concern over the subject. This has given rise to a series of national and international legal requirements. Among the most significant are the EC guidelines on environmental impact assessment, first published in 1988, and the forthcoming packaging directives.

The voluntary Eco-audit requirements – which will require independent scrutiny of environmental impact of a company's activities – are due to be in place by 1994. Similar guidelines are being developed through British Standard 7750. All are beginning to have an effect on the level of corporate green activity.

Directors in some companies – notably the chemical sector – grit their teeth at the sudden obsession with things green, however. Many have been conducting environmental audits for several years. The Chemical Industries Association has a well-established set of guidelines, for example.

The reason is often grounded in sound business management. Geoff Mills, a director of the Association of Environmental Consultancies, and head of consultants Gibb Environmental, argues that companies want both to recognise emerging problems – to stave off litigation or public criticism – and to identify areas in which they can take action to save costs.

"Environmental reviews are becoming an integral part of good management," he says. "The environment is becoming just another part of a business manager's legitimate day-to-day concerns."

But there remains a fundamental problem over definitions, according to Martin Houldin, principal consultant at KPMG Peat Marwick's national environment unit. He says activities described as "environmental audits" can range from internal environmental reviews or partial examinations by consultants, through to full independent verification of a company's activities. The latter, he says, is rare.

This is in large part explained by the focus of legislation. Most is focused on site-specific analysis: the impact of a particular plant or the changes brought to a unit of land as a result of development. There is little guidance for analysing the entirety of a company's operations.

The information which gets into the public domain is far more limited and less reliable still. The Company Reporting survey showed that only 11 per cent of businesses disclosed concrete information such as environmental policies or achievements. "The remaining 12 per cent publish statements which are general to the point of being virtually meaningless," it concluded.

That echoed the conclusions of a survey of environmental reporting published by the Institute of Chartered Accountants in England and Wales at the start of this year. "Many appear to be using environmental disclosures in the annual report primarily as a channel for public relations," it said.

It warned that the information was often partial – stressing "good" and not "bad" news – and that sometimes information from other sources even contradicted that provided by the company.

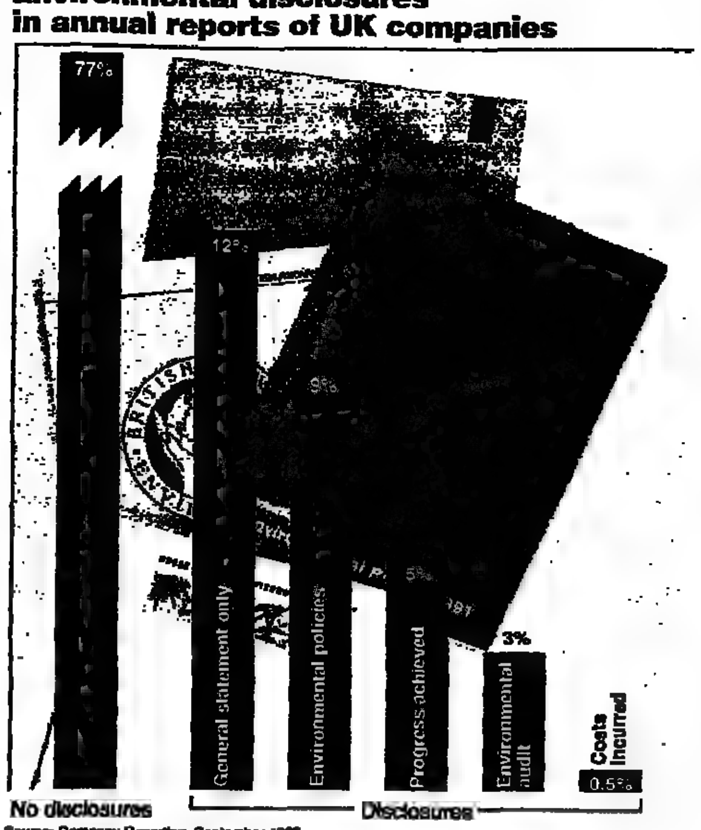
Companies may be undertaking a wide range of activities behind closed doors. But little is made public, and a smaller proportion is a balanced or comprehensive attempt to describe the impact of a business' operations.

A tinier proportion still uses an independent firm to scrutinise this information and state whether it reflects the true picture. No systematic guidelines exist on how to undertake such reviews, or a consistent use of words which might be included in annual reports. "Conflicts can arise, especially over the commercial pressures when audit findings are not what the clients expected. There is a need for professional standards," says Mills.

That is why his association is introducing a system of accreditation and peer review. At the same time, the Institute of Environmental Assessment, which represents individual environmental consultants, is drawing up a registration scheme for its members.

Without compulsory disclosure of environmental information, companies are likely to receive growing criticism from outside observers. Without independent, objective scrutiny from environmental auditors, the little information which is provided will remain suspect.

Environmental disclosures in annual reports of UK companies



Source: Company Reporting, September 1992

SMALLER companies do not consider environmental issues significant, according to a survey published this month by the consultancy arm of accountants KPMG Peat Marwick, writes Bronwen Maddox.

In KPMG's annual survey on UK business opinion, two thirds of the 324 companies interviewed said that environmental issues were not a trading issue last year, and 59 per cent said the environment would not be an issue for the forthcoming year. However 44 per cent of manufacturing companies in the survey said they had been affected by green rules, compared to 26 per cent in services.

Martin Houldin of KPMG commented that small companies were mainly affected by local authority rules rather than by national or EC environmental regulation. "The environment has been pushed down the agenda of many private companies by other factors such as the recession and exchange rates."

Although 12 per cent reported that sales revenue had risen, 39 per cent said that profit margins were squeezed by interest charges and other cost increases. However the companies surveyed ranked the environment above the liberalisation of eastern Europe in importance for their trading.

The green view on subsidiarity

By Colin Hines

With the French referendum on Maastricht imminent, it has been disconcerting how little coverage has been given to the environmental priorities of both the existing and proposed European Community. A key question governing effective environmental protection is whether the dogma of free trade should be allowed to continue to override national environmental concerns.

Greenpeace, the environmental group, has challenged this view, calling for changes that allow countries in the EC to take unilateral action to protect their environment even if they override the sacred objective of the freedom of movement of goods and services.

However, such questioning is not found in the Maastricht Treaty or the debate surrounding it. Instead, "subsidiarity" has been promoted as a key term since the Danish "no" vote. This has been brought to the fore in an attempt to calm those who perceive that Maastricht means the loss of sovereign control to Brussels.

Subsidiarity, put simply, means that action should be taken at a Community level only where it would be more appropriate than taking action at a national or regional authority level.

In order for environmental protection to become a basic goal of the EC, the principle of "subsidiarity" has to be harnessed to this end. "Green subsidiarity" would be defined as confining EC intervention to those areas where it will be more effective than national action in ensuring maximum protection of the environment.

Thus the EC would not be able to hinder member states from introducing more stringent environmental measures than the Community norm, regardless of whether it might be an impediment to some trade within the Community. The mechanism would also make the EC's harmonised levels of environmental protection a floor beneath which no member state's environmental standards would be allowed to drop.

Last month, for instance, France closed its border to German waste after the discovery that trucks which were supposed to carry household waste also contained syringes, bloodbags and other dangerous hospital waste.

Around the same time the Swedish government was warned by the EC Commission that its draft regulation on ozone-depleting substances was contrary to the proposed trade arrangements between itself and the EC.

Sweden wants to introduce a ban on the imports of products containing or produced with CFCs, HCFCs and other ozone destroyers. The Commission is concerned that these measures will be considered too stringent and would go further than EC regulations.

On the other hand, there is the speculation that the UK government could use the principle in the opposite way to weaken domestic adherence to the restrictions imposed by the EC's Bathing and Drinking Water Directives.

The principle of "green subsidiarity" applied to these cases would mean that decisions would be made at the level which would ensure maximum environmental protection. Its use would allow France to maintain controls on the imports of German toxic waste.

It would also mean that Sweden's proposed bans on products containing, or produced by, ozone-depleting chemicals would not have to be watered down in order to ensure their right of passage into the European Community.

The UK, however, would not be allowed to retain its sorry title of "The Dirty Man of Europe" by using "subsidiarity" as an excuse to drop its bathing and drinking water standards below those of the EC directives.

Allowing some member countries to go further than the EC norm would create new competitive pressures in Europe and over time could be expected to lead to the ratcheting up of national standards. An additional impetus that might need to be considered would be to allow a country to set environmental conditions for access to its markets.

Regardless of whether Maastricht will need to be renegotiated, the European Community's major environmental problems will remain largely unsolved unless tackled at such a fundamental level.

"Green subsidiarity" thus provides the mechanism for ensuring both the maximum protection for the environment and the emergence of a group of nations which are constantly increasing their environmental standards.

Colin Hines works for Greenpeace on trade and environment issues.

PEOPLE

Stevenson to replace Stormonth Darling

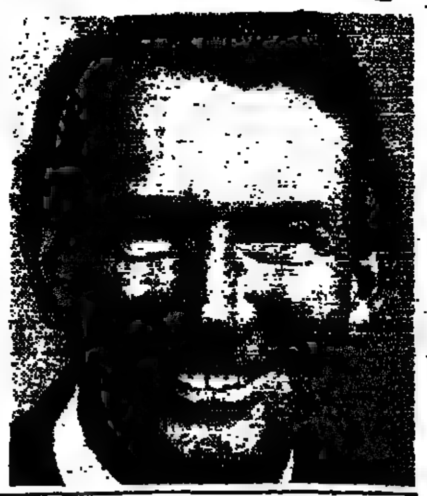
Peter Stormonth Darling, the chairman of *Mercury Asset Management, is retiring in* November after 14 years in the post. He is to be replaced by Hugh Stevenson (right), one of three directors in SG Warburg's investment banking division and the mastermind of MAM's public flotation in 1987.

Stormonth Darling says that having reached 60, the "normal" retirement age of MAM directors, he will relinquish his post but intends to remain a non-executive director. His retirement has been planned *since the turn of the year and, he says,* is not in any way connected with the well-publicised departure several weeks ago of Leonard Licht, deputy chairman and a star of MAM's fund management team.

Stevenson becomes the first chairman of MAM, Britain's largest fund management group, never to have worked as a fund manager. "I would say that on the whole, *fund managers are not* very good at managing businesses," he says. He had been a MAM board member and a member of its policy committee since 1986.

His main priority will be to "maintain the continuity of the business in terms of staff and strategy". Despite widespread press speculation of unhappiness within the ranks of MAM senior executives, Stevenson says that the group's entire management team is unchanged from that at flotation *five years ago* and *that more senior* executives have joined in recent months than have left.

Stevenson will be assisted by a new executive committee, consisting of deputy chairmen David Price and Stephen Zimmerman, Carol Galley, Nigel Hurst-Brown, David Rosier and Lord Cairns.



Non-Japanese to be an md at Komatsu

Komatsu, the Japanese construction equipment manufacturer, has appointed Keith Tipping as managing director of its Birtley plant near Gateshead.

Tipping, 46, one of Komatsu UK's earliest recruits at Birtley in 1986, is the first non-Japanese managing director of a Komatsu manufacturing plant anywhere in the world. On October 1, *he* succeeds Toshitake Suketomo, who returns to Japan to take overall responsibility for Komatsu's recently formed International Division for *construction equipment*. Suketomo will also become non-executive chairman of Komatsu UK.

Tipping's appointment comes at the end of a difficult 18 months for Komatsu UK; the recession's impact on the construction industry forced the shedding of 80 jobs at Birtley and the plant made a £6.62 loss in 1991. But with the first UK-designed Komatsu excavators now in production at Birtley, Tipping believes prospects are becoming muchbrighter.

His appointment follows a restructuring of management roles following the departure in June of personnel director Clive Morton, now with Northern Electric. Tipping plans to continue Komatsu UK's commitment to community involvement – and its Japanese-style morning physical exercises for the plant's 350 employees.

Constructive careers

■ Barry Morrow (above) has been appointed director *Scotland of* EDMUND NUTTALL; he moves from Balfour Beatty for whom he has most recently been working in Singapore and Milan.

■ *Philip* Derbyshire, previously contracts director, has been appointed md of Westpile, a subsidiary of *TILBURY DOUGLAS*.

■ Richard Jones is appointed financial director and Steve Whitehead development director of BELLWINCH HOMES.

■ Bryan McCann, formerly md of SGB, has been appointed md of Briggs Amasco, part of TARMAC's industrial products division.

■ John Bower has been appointed company secretary of GALLIFORD and Tony Betney md of Galliford (UK) Ltd, its construction division.

■ Christopher Arnison, property director of Midland Oak Group, has been appointed professor of rural economy and land management at the ROYAL AGRICULTURAL COLLEGE, CIRENCESTER.

■ *Michael Lodge, formerly* a director of Steetley, will become md of CASTLE CEMENT on the retirement at the end of the year of Leslie Hewitt.

■ Norman Turner, chairman of Intercity Property Group, the largest shareholder in OSSORY ESTATES, has been *appointed md of Ossory*. Christopher Spence, who joined the board in January, becomes non-executive chairman, replacing John Walker who remains a director.

■ Andrew Smith (below), formerly of Tiphook, has been appointed md and Denzil Spencer deputy md of REDLAND BRICKS.

Unilever shuffles responsibilities

Unilever, the Anglo-Dutch food and consumer products manufacturer, has announced a reshuffle of board-level *responsibilities involving six* directors.

On January 1, Morris Tabaksblat will relinquish the chairmanship of the food executive, which co-ordinates Unilever's worldwide food operations, to concentrate on his work with the three-man special committee, the group's most senior decision-making body.

He will take over responsibility for central and eastern Europe. He joined the special committee, the other members of which are *Unilever's British and Dutch* chairmen, in May.

Jan Peelen will become chairman of the food executive and will be succeeded as director for east Asia and the Pacific by Alexander Kemner, who is currently responsible for food operations in southern Europe.

Charles Miller Smith will succeed Kemner. Hans Eggerstedt, the commercial director, will also take over Miller Smith's responsibilities as financial director.

Eggerstedt's responsibilities *for Europe will be transferred* to Michael Heron, who will continue as director in charge of personnel and external affairs.

Though Unilever gave no reason for the changes, it is understood that they are intended mainly to broaden top managers' *experience* and skills. All the directors except Peelen were appointed to their posts in 1989.

ARTS

Television/Christopher Dunkley

A fair cop – in moral shades of grey

Given the brain deadening preponderance of television drama series about crime in the past 10 or 20 years – series about English lawyers, Scottish lawyers, American lawyers, private eyes, male uniformed police, female uniformed police, male criminals, female criminals, English detectives, French detectives, Dutch detectives, American detectives, police in cars, police in boats, police on motorbikes, even as a last resort police on foot – it seemed unlikely that we would welcome yet another police series. But quality will out, and if you come up with good ideas, good writing, good direction and good acting the milieu hardly matters. *Between The Lines* is yet another series about the Met, and very good it is.

When Tony Garnett last produced a series which dared to question the integrity of the British legal system (*Law And Order* in 1978) there was pandemonium; the BBC was banned from prisons for a year, the police demanded written undertakings before they would offer any more co-operation, and right-wingers roared about destruction of the fabric of British society. How things change. Today, with what we know about Stalker and the Guildford Four, the Midlands Crime Squad and the Birmingham Six, Garnett looks more like a prophet than a rebel.

The most impressive aspect of *Between The Lines* is that, although it inevitably shows British police forces as harbouring freemasons and racists, thieves and boot boys ("inevitably" because it is about an internal investigation unit) none of this is seen in black and white. Not only are we shown police arguing convincingly that breaking the rules may sometimes be the only way of defeating the crooks, but the central character, our hero, Tony Clark, is a married man and a womaniser and therefore an habitual liar. Indeed this is precisely why he has the job. Few television police series have the strength and intelligence to work consistently within realistic moral shades of grey as this one does, and even fewer then manage the vivid drama which is being achieved here. Those not watching yet can start on Friday with a typically ambivalent episode about a woman constable complaining of sexual harassment – by a black sergeant.

*

C4's *Terry And Julian* looks like the nearest that television has ever come (whoops, sorry about the rude verb) to its own *Carry On* series. It appears to have been created as a vehicle for Julian Clary whose wrists are so limp they could serve as hammocks for gerbils. His last series, a soppy gameshow, was undisciplined and quickly became boring, but this one is scripted – "I want to see the back of you"/"You won't be the first". It should amuse those with a taste for English seaside innuendo of the unsubtle Max Miller variety.

*

There are still people, including media correspondents from national newspapers who should know better, claiming that television is experiencing a "slide" and even a "slump" in viewing. What are they talking about? The most recent BARB figures are for the last week in August. They show average weekly viewing per person as 24 hours 43 minutes. That is seven hours up on the same week in 1983, six hours up on 1984, one hour up on 1985, two hours up on 1987, '88 and '89, three hours up on 1990 and one hour up on 1991. The only year in the past decade to record a higher figure than this year was 1986 when the last week in August was an anomaly: for some reason it is credited with 26 hours 27 minutes which is four hours more than any other week that summer. Some slump.

People interpret figures any way that suits them. After hearing a top Channel 4 executive gleefully deriding the supposedly "disastrous" ratings for the BBC soap opera *Eldorado* it was interesting to discover that those same BARB figures record audiences of 6.9m and 6.7m for *Eldorado's* two episodes that week, a million more than any programme shown on C4. But to be fair, what was C4's top-rated programme? Some worthy effort for black viewers or feminists which could hardly expect a big audience? Not at all, such programmes do not even struggle into the bottom of C4's Top 30; for all we are allowed to know those series, which C4 makes such a song and dance about, may be getting no measurable audience at all.

The top three slots on C4 are filled by the soap opera *Brookside* which manages about 5.5m viewers, and the rest of their Top 10 comprises three American comedies, two gameshows and two American movies. So much for being different and serving specialist tastes. In the same week BBC2's Top 10 included British programmes on travel, sport, natural history, gardening and cookery and Alan Bennett's splendid drama *A Woman Of No Importance*. That week BBC2 attracted 10.1 per cent of total viewing to C4's 10.3 per cent. It might be as well to keep this in mind next time C4 is held up as a shining example of what can be achieved out there in the market place. No one in the industry believes that C4 will be able to avoid competing even more fiercely for audiences, becoming even more populist, once it has to start selling its own airtime in competition with ITV next year. But the mind boggles at what could be more populist than its present Top 10.

*

British programme makers have often expressed pride in a system of public service broadcasting which permits "the right to fail", a pre-requisite if genuinely new ideas are to be tried. The question is, should viewers be subjected to these failures? Last week's 75-minute drama on C4, *Gummed Labels*, was, like so much "experimental" material, a triumph of style over content. There were venetian blinds and bright blue back-lighting, lots of supposedly clever lines ("I'll tell you nothing!" "I already know nothing, nothing and I are close friends") bass sax on the soundtrack and, at the centre, where there should have been a plot or at least some thought, only a vacuum. As a student showreel indicating mastery of technique this could be useful. As public entertainment it was deeply irritating.

Worse still was a BBC1 natural history programme called *The Velvet Claw* which, astoundingly, we were told was the first of a seven part series concerning ancient animals. The nastiest sort of modern animation was accompanied by a an embarrassingly pretentious script, favouring phrases such as "in a very real sense". The producers have made the famous old mistake of hiring a plummy voiced actor to read the words with the result that the voice-over sounds like Donald Wolfit showing off in a Victorian melodrama. After proving over so many years the superiority of having non-actors such as David Attenborough read their own scripts in conversational tones, what on earth does the BBC's Natural History Unit think it is up to producing stuff such as this? And having produced it, why didn't anyone spot it before the poor old viewers were subjected to it?

*

A preview in a London cinema of Ridley Scott's 2½-hour Columbus movie *1492* on Sunday morning showed it to be visually striking, powerfully atmospheric, strong on the minutiae of the 15th century, weak on character, and quite often boring. BBC1's 95-minute "Screen One" drama *Disaster At Valdez* on Sunday night, another piece of dramatised history, showed how superior television can be these days to even such "prestige" cinema projects. No doubt some of those involved in the notorious Alaskan oil spill will pick nits out of this television account of how the clean-up became a fiasco, but history will decide whether, as it seems, it is a broadly accurate account. It is certainly a compelling piece of television.

Some of the cast of 'Between the Lines', the BBC's new series about the Met

Theatre/Malcolm Rutherford

It Runs in the Family

Ray Cooney outdoes even Lord (Jeffrey) Archer in his versatility. Not only has he bought the Playhouse Theatre from the former Tory MP and writer who found it did not make money. Cooney has opened it with his own play, directs it and acts in it as well. Indeed, his acting is so good that it helps to explain why he writes such splendid farces.

It Runs in the Family may not be quite the best of them, but you would have to be in the most churlish mood not to enjoy it. The piece ought to have opened at Christmas, for it starts with "Jingle Bells" and has the doctors and nurses of St Andrew's Hospital, London rehearsing for the annual pantomime. Snow is seen falling through the famous Cooney windows which, as so often, are set centre stage and bound to play a prominent part in the action.

Yet never mind that it is still only September. The coach parties have already begun to arrive in force and although this may not be a play to arouse gales of laughter, it is strong on the steady chuckle.

The pantomime turns out to be only a sideshow. The real business is the annual Ponsonby lecture to be delivered by the neurologist, Dr David Mortimore (John Quayle) before the junior health minister and neurologists from all over the world. The trick, as the hospital governor explains, is not to plead abject poverty, because that would fail to impress the foreign visitors, but to persuade the minister that the place needs more money.

In practice we never get that far. There are interruptions all along the line, beginning with the arrival of Nurse Tate (Sandra Dickinson), an old flame of 18 years ago, who reveals that she has Mortimore's son, a distinctly punk youth demanding to meet his father for the first time.

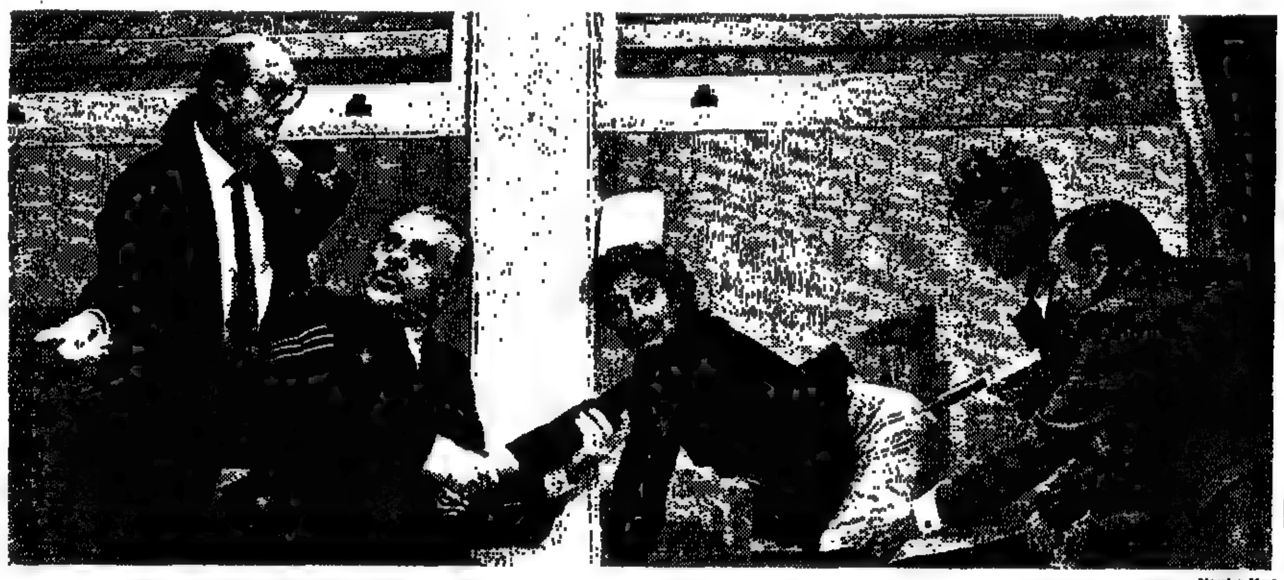
From then on it is the customary fun and games. Mortimore has a wife from whom the facts must be concealed. One of Cooney's techniques is to allow one lie to lead to another until there is multiple confusion and nobody knows who is who. He does this time and again, and the pace seldom flags.

The characters are stock: an old man in a wheel chair (perfectly played by Henry McGee) who develops an astonishing new lease of life and has fun with a soda syphon; Matron (Jacqueline Clarke), hard on the surface but soft underneath, and an old fashioned police sergeant in Windsor Davis. There is even a part for the veteran Doris Hare.

The windows come in when it looks as if the punk youth (William Harry) is about to fall from the outside ledge. Matron and doctors hang on to him. A slight criticism is that, seen from the stalls, there is not much sense of vertigo.

The main pleasure of the evening comes from Cooney himself. He plays Dr Bonney, not a high flyer and certainly not the sort of man to be invited to give the Ponsonby lecture. Watch how he knows his deficiencies, the way he wears his jacket, the expressions on his face even when he is not in the forefront of the action. This is the performance of a man who knows that farce is a very high art. Cooney enjoys every minute. By Christmas, the production should be even better.

Playhouse Theatre (071 839 4401)



Alastair Muir

Ray Cooney, Windsor Davies, Jacqeline Clarke, William Harry and John Quayle

Opera/William Weaver

The 'Other' Spoleto

In the early 1950's, when Gian Carlo Menotti was seeking a home for his arts festival, he visited a number of small towns in Tuscany and Umbria: it had to be isolated, but within reasonable distance of Rome or Florence; it had to be beautiful, with an attractive theatre. He had almost settled on Todi, but then a friend took him to the historic, little-visited Umbrian city of Spoleto and Menotti's Festival of Two Worlds had a home.

An important factor in his decision was the presence there of two working theatres: the charming Teatro Caio Melisso, and the larger, 19th century Teatro Nuovo, in perfect working order. Menotti soon learned that his would not be the only festival in the city; he had been preceded by the Teatro Lirico Sperimentale, an organisation created by an opera-loving Spoletino lawyer, Adriano Belli. It was largely through Belli's efforts that the Nuovo was in such good repair, and his Sperimentale had already attracted the attention of key professionals in the Italian operatic world.

Founded to afford an opportunity for debutant artists to perform in a professional situation, the Sperimentale supported its youngsters with veteran conductors and producers from the Rome Opera, complemented by the Rome orchestra and chorus. Sets and costumes also came from the Rome house. In the cast of the inaugural performance of *Don Pasquale* were the tenor Cesare Valletti and the baritone Rolando Panerai, neither of whom had yet appeared on the operatic stage. The Sperimentale could hardly have had a happier launching.

Chosen by a severe competition, Spoleto singers continued to maintain a surprisingly high level: in 1950 came Gian Giacomo Guelfi and Antonietta Stella. Then came the discoveries of Anna Moffo, Franco Corelli, Anita Cerquetti, Gabriella Tucci, Renato Bruson.

But after several decades of glory, the Sperimentale fell on hard times. With the death of Belli, the direction faltered and the accord with the Rome Opera lapsed. In the past few years, under the artistic direction of the Roman critic Michelangelo Zurletti, the organisation has been assaying new directions, with mixed, but still encouraging results. Last year, an experimental *Norma* was unmitigated disaster, so this year's opening – *Wiener Blut* in Italian – hardly prompted an immediate trip to Spoleto. But then when the second offering, *Un ballo in maschera*, was announced, the idea of hearing a great opera with young artists made the journey seem worthwhile. And though the cast was extremely uneven, the performance was, on the whole, enjoyable; and there was the satisfaction of hearing three young voices – in the three female parts – of distinct promise.

The casting also suggests the current state of Italy's vocal resources. Among the six winners of the 1992 competition there was no tenor. Even last year, when two tenors were selected, for the Pollione the organisation called on Mario Leonardi, a winner from a few years back. He returned this year as Riccardo, and has not improved. His performance seems to indicate that voice training in Italy is in big trouble. The natural instrument has volume and range, a clear ring, but Leonardi has little notion of expression, the sound is produced as if at random, pinched one moment, blaring the next. Yet, despite these glaring defects, since his first Spoleto appearance he has sung in a number of provincial houses, including the excellent Teatro Verdi in Trieste.

The baritone, Demetrio Colaci (Renato) is also a winner from an earlier competition (in 1988) and has sung in Palermo's Teatro Massimo and in concert. Tall and imposing, he has a large and agreeable voice, but also lacks expression and has serious trouble with pitch. One is tempted to think also that the reason for the decline in quality among the Spoleto winners is that nowadays a truly gifted young male singer is not likely to encounter much difficulty in finding a theatre that will hasten to sign him up.

The Sperimentale gives young singers the chance to perform in a professional situation

Perhaps it is harder for sopranos and mezzos; certainly, the three debutantes in Spoleto made a much stronger case for themselves than the two males. The part of Ulrica does not give its interpreters much room. Daniela Ciliberti, young and handsome, made an immediate visual impression; nerves, however, diminished her vocal power at first. But soon she relaxed and revealed that, in addition to interpretative insight and musical taste, she possesses an instrument that, without being huge, carries well. The Amelia – Claudia Pallini – also began somewhat shyly, but by the end of her aria she too had gained confidence, and improved steadily from then on. Next month she will be a finalist in the Pavarotti competition in Philadelphia.

Lucia Scilipoti, though she looked the youngest member of the cast, made her professional debut in 1990 and has also participated in various contests with some success. She was a sweet, true Oscar, singing honestly and effectively.

Borrowed from the Cagliari opera, the production was mostly acceptable, though there were some deleterious mimes here and there and some idiotic scenery. At the last minute the scheduled conductor was replaced by the chorus master Carlo Palleschi, who did an excellent job. Perhaps because of his presence the chorus – an Umbrian group called Umu-Sintesi – sang out splendidly. The Budapest Chamber Orchestra was better than serviceable. The Teatro Nuovo drew as big a crowd as any of Menotti's gala events does, and it was a good deal more attentive.

INTERNATIONAL ARTS GUIDE

■ CHICAGO

CHICAGO SYMPHONY ORCHESTRA
The orchestra's 1992-3 season begins tomorrow evening in **Orchestra Hall** with a Brahms programme conducted by Daniel Barenboim, repeated on Fri, Sat and next Tue. Martha Argerich is piano soloist in a Richard Strauss programme later next week, and Isaac Stern is violin soloist in a programme on Oct 1, 2 and 3 marking the 80th birthday of Witold Lutoslawski. Neeme Järvi and Erich Leinsdorf conduct most of October's concerts, and Georg Solti returns in November (435 6666).
LYRIC OPERA
The new season begins on Sat with Rossini's Otello, in the production by Pier Luigi Pizzi first staged at the Pesaro Rossini Festival. Donato Renzetti conducts, with Chris Merritt in the title role (eight performances till Oct 13).
The next production is Elektra starring Eva Marton, opening on Sep 29 (332 2244).

■ HAMBURG

The new season at the **Staatsoper** begins tonight with Simon Boccanegra, with a cast including Bernd Weikl, Evgeny Nesterenko and Daniela Dessi (repeated on Sat and next Wed). Sun: Der Rosenkavalier with Kiri te Kanawa and Kurt Moll (351721) Ute Lemper is Lola in The Blue Angel at the **Deutsches Schauspielhaus**. The work is a musical revue adapted from Heinrich Mann's novel Professor Unrat by Peter Zadek and Jerome Savary. Daily except Mon till Oct 4. Eva Mattes sings Lola in next week's performances (248713) **Thalia Theater** opens its new season on Sat with Coline Serreau's play Hase Hase (322066).

■ MUNICH

OPERA
Due to the closure of the National Theater for repairs, the Bavarian State Opera is giving a restricted programme in Munich's other theatres. The season opens tomorrow in the **Cuvilliés-Theater** with the Rennert production of Le nozze di Figaro (repeated on Sat, Mon and next Thurs). On Fri at **Gasteig**, Adam Fischer conducts a concert performance of Don Carlo, with Lando Bartolini and Sharon Sweet (repeated on Sun, next Wed and Sun in **Prinzregententheater**). Sat, Mon and next Thurs in **Prinzregententheater:** Hildegard Behrens is soloist in an opera concert conducted by Ralf Weikert (221316).
CONCERTS
On Sat at **Gasteig,** Michael Tilson Thomas conducts the London Symphony Orchestra, with Viktoria Mullova soloist in Mendelssohn's Violin Concerto (346620). Sun and Tues at **Gasteig:** Sergiu Celibidache conducts the Munich Philharmonic in works by Roussel, Debussy and Ravel (48098 614). Mon at **Herkulessaal der Residenz:** Alfred Brendel plays Beethoven (983898). Next Wed at **Gasteig:** Andre Previn conducts the Vienna Philharmonic (983898). Sep 25 and 26: Arturo Benedetti Michelangeli plays Schumann's Piano Concerto with the Munich Philharmonic and Celibidache (48098 614).
JAZZ
Munich's annual jazz festival runs during the next four days at the **Olympiapark** and in the **Allotria** and **Unterfahrt** jazz clubs. Among the guest artists are Jenny Evans and the Walt Disney project, Bud's Pearls, Al Porcino Big Band, Hermann Breuer's Blue Bone, Carolyn Breuer and Carlo Mombelli's Abstractions. Music every evening from 19.00 (3067 2424).
OKTOBERFEST
Munich's annual beer and folklore festival opens on Saturday with the traditional street procession at 11.00 to the **Theresienwiese,** followed by a folklore programme at 20.00 at the **Circus-Krone-Bau,** Marsstrasse 43. Among other highlights of the weekend programme are a Sunday morning procession through the city centre. The festival runs till October 4. Tickets from Veranstaltungsdienst Mayr, Poccistrasse 8 (725 8095). For the folklore programme on Sat evening, tickets are available at **Circus Krone** (558166) or **Kiosk Marienplatz** (229556). For general information about the Oktoberfest, contact the tourist bureau at **Sendlinger Strasse** 1 (23911).
A selection of theatre and concert tickets is available at **Konzertkasse Beck** on the fourth floor of the Beck department store at Marienplatz 11.

■ NEW YORK

MUSIC
Avery Fisher Hall 20.00 Kurt Masur conducts the opening concert of the New York Philharmonic Orchestra's 150th season: works by Bernstein, Prokofiev and Richard Strauss, with soprano soloist Kathleen Battle. Tomorrow, Fri, Sat and next Tues: Masur conducts symphonies by Schubert, Mehul and Beethoven (875 5030).
THEATRE
The Real Inspector Hound and The Fifteen Minute Hamlet: Tom Stoppard's comedy about a pair of drama critics who attend a performance of a traditional, worn-out British thriller. Preceded by an equally funny prologue taking the form of an anthology of gems from Shakespeare's play (**Criterion Center,** Broadway at 45th St, 869 8400).
Five Guys Named Moe: the guys are black dancers and singers of ability and spirit, who perform the songs of the late Louis Jordan (Eugene O'Neill, 230 West 49th St, 239 6200).
The Best of Forbidden Broadway: Gerard Alessandrini's long-running, ever fluctuating musical revue (Theatre East, 211 East 60th St, 838 9090).
Guys and Dolls: a lively production of Frank Loesser's musical (Martin Beck, 302 West 45th St, 239 6200).
Jelly's Last Jam: the music of Jelly Roll Morton, self-proclaimed inventor of jazz, mixed with an unsparing delineation of Morton himself (Virginia, 245 West 52nd St, 239 6200).
Jake's Women: Alan Alda is at his best in Neil Simon's new play about an ageing writer trying to come to terms with the women in his life, past and present (Neil Simon, 250 West 52nd Street, 307 4100).
Ticketmaster answers inquiries and sells tickets for Broadway shows (307 4100) and rock/pop concerts (307 7171).

■ ROTTERDAM

Vassili Sinaiski conducts the Rotterdam Philharmonic Orchestra in an all-Tchaikovsky programme tomorrow and on Fri in De Doelen, with Maxim Vengerov soloist in the Violin Concerto. The programme is repeated on Sat at Groningen (413 2490).

■ STOCKHOLM

OPERA/BALLET
John Neumeier's ballet A Midsummer Night's Dream can be seen tonight at the **Royal Opera.** Tomorrow: Suppe's operetta Boccaccio. Fri and Mon: Ingvar Lidholm's new opera A Dream Play. Sat and next Tues: Tosca. Oct 3: concert performance of Tchaikovsky's Mazeppa. Oct 13-17: guest performances by Finnish National Opera (248240)
CONCERTS
The Johann Strauss Ensemble of Vienna gives tonight's concert at the **Konserthuset.** Tomorrow and Sat afternoon: Paavo Berglund conducts the Stockholm Philharmonic Orchestra in works by Mozart, Wagner and Sibelius, with soprano soloist Margaret Price. Next week's concerts are conducted by James Loughran. Oct 20-25: Baltic Festival, including concerts by orchestras from Lithuania, Latvia and Estonia (244130). Tomorrow and Fri at Berwaldhallen: Elise Ross sings Weill's Seven Deadly Sins in a Swedish Radio Symphony Orchestra concert conducted by Esa Pekka Salonen (784 1800).

■ UTRECHT

Tomorrow at the **Vredenburg concert hall,** Valery Gergiev conducts the Netherlands Radio Philharmonic Orchestra in works by Rimsky-Korsakov, Glazunov and Rakhmaninov.
Sep 26: Walter Weller conducts Beethoven and Brahms.
Sep 27: Gunther Herbig conducts the Hague Philharmonic.
Sep 29: the Dubliners (telephone 314544).

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colm Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly - global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Wednesday September 16 1992

The limits of force in Bosnia

THIS WEEK'S UN decision to authorise the dispatch to Bosnia of an additional 6,000 troops is a fitting, if belated, response to the prospect of a humanitarian calamity in the former Yugoslav republic this winter. Given the fullest commitment of food, medicine and other aid to the UN High Commissioner for Refugees, the reinforcements should permit a quickening of the Bosnian relief effort in coming weeks.

But it is important that the governments whose troops are now to be placed in the firing line recognise both the risks that such an operation entails, and the limits on what it can achieve. In particular, those responsible should be explaining their objectives much more clearly to their own electorates and to those caught up in the conflict. Without such clarity, there is a real danger that the western military forces protecting aid convoys could be sucked into a Lebanese-style quagmire, incurring heavy casualties and facing a choice between still heavier intervention and a humiliating retreat.

What, precisely, is the international community trying to do in Bosnia? That there is confusion is scarcely surprising given the complexity of the conflict, the seriousness of the mistakes committed by western governments over the past year, and the profound reluctance with which they have now become more directly involved.

But the question needs answering. Is the UN moving, as is being claimed in some quarters, from peace-keeping where there is no peace to keep, towards peace-*making*? If so, it is certain to fail. The level of forces now being committed will not suffice to raise the sieges around Bosnian towns or provide safety for for the 2m refugees uprooted by Serb forces.

Still less does this week's move bring the UN any closer to an ability to force the parties to stop fighting. A protectorate in Bosnia would require tens of thousands more troops, a commitment which neither western public opinion nor the hard-pressed UN is prepared to contemplate. The 15,000 UN troops in eastern Croatia are themselves over-stretched in keeping a peace to which the parties to the conflict have grudgingly agreed. In Bosnia, no such will to stop the fighting is yet discernible. Any extension of the UN's mandate permitting foreign troops to do more than defend themselves if attacked would rob them of the perceived impartiality which they need to carry out their job, and expose them to greater danger. It might also jeopardise the continuing Geneva peace talks.

Under such circumstances, the UN should go out of its way to draw a distinction between its military protection of humanitarian aid efforts on the one hand, and its efforts to restrain the fighting (for example, by placing all heavy weapons under UN control) on the other. Both activities – one under the UNHCR, the other overseen by Lord Owen and Mr Cyrus Vance, the EC and UN mediators – will need more manpower and resources. They will also have to be accompanied by an intensification of sanctions pressure on Serbia, and by the dispatch of more observers to Bosnia's borders to stem the flow of weapons from Croatia and Serbia.

Even determined action on all these fronts scarcely offers a prospect of rapid progress. The governments now preparing to dispatch troops had better be ready for a long haul, and concentrate in the short term on doing what they can to save lives.

Pension benefits

IN THE search for ways of scaling back the UK's bloated public expenditure plans, one part of exchequer spending which appears sacrosanct is that spent on state pensions. The Conservative election manifesto promises to increase state pensions in line with prices. Yet as today's report by the Institute for Fiscal Studies makes clear, the state pension is ripe for review. With 10 per cent of public expenditure going on the basic state pension, the wisdom of forever uprating this universal flat-rate benefit is questionable.

Already the state pension is declining in importance. It now provides less than half the income of the 65 to 74 age-group. Income from occupational pensions and investments is rising, and personal pensions will add further to this in the future. The indexing of the pension to prices has reduced its relative value from 20 per cent of male average earnings in 1977 to 15 per cent today. If it continues to be revalued in line with prices, its value is likely to fall to just 7 per cent of average male earnings by 2050.

One response would be to increase the pension by more than the rate of inflation to restore its value relative to earnings (as the Labour party promised to do at the last election). The IFS report points out that it would require substantial tax increases to fund such increases over the coming years as the proportion of the population over retirement age rises.

More important, since not all pensioners need such increases, it would be a poorly targeted transfer of resources. The state pension remains important for many, especially older, pensioners who retired with little else by way of income. But for a growing minority of the wealthier pensioners, the state pension is a small and relatively insignificant part of their income.

The alternative is to put any increase in the pensions bill entirely into benefits targeted on poorer pensioners. The government has already moved in this direction in the last Autumn Statement with increases above the rate of inflation in means-tested income support for pensioners. While there are problems in the take-up of means-tested benefits, more imaginative use could be made of Inland Revenue and social security records to encourage those needing such help to apply for it.

Such a strategy would be within the spirit of the manifesto commitment, provided the overall pensions bill was increased in line with inflation. And it would begin a process of directing benefits to those who need them most in a way that would later permit a more fundamental review of pensions in the light of changes in the UK economy and society.

Nuclear reaction

WESTERN GOVERNMENTS are not yet taking seriously enough the threat of an accident at one of the 58 nuclear reactors in the former Soviet Union and eastern Europe.

The G7 summit in July failed to agree a $800m multilateral programme to pay for the most urgent safety work. The seven passed the problem on to the 24 OECD countries, whose nuclear experts and civil servants are in Brussels this week trying to patch together a coherent programme from the paltry $300m worth of bilateral aid announced so far. But the G24 meeting is not at a sufficiently senior level to take the decisive action required.

Unfortunately, western leaders see nuclear safety as a technical issue which they can leave to their technical experts. It deserves much higher priority than that. Another Chernobyl-type accident would be an environmental catastrophe and would almost certainly deal a fatal blow to the nuclear industry worldwide.

Apart from some EC-funded emergency work at Kozloduy in Bulgaria, little has been done yet to tackle even the most urgent safety problems. Nuclear officials in eastern Europe are understandably exasperated that interminable discussions with western experts have yielded such limited practical assistance. With energy in short supply, they have no option this winter out to continue running every available reactor, whatever its safety level. So the Ukraine will reluctantly restart two units at the crippled Chernobyl plant.

The immediate priority is to end the bureaucratic delays that have held up even the very limited funds announced so far. Then western governments should launch a new political initiative to set up a multilateral nuclear aid programme to fill in the large gaps between the bilateral schemes. The European Bank for Reconstruction and Development and the World Bank would play a central role in funding it.

At the very least, the most dangerous reactors – 15 Chernobyl-type RBMKs and the 10 oldest VVER230s – require new hardware such as back-up generators, computerised control rooms and fire barriers.

The Russians – inheritors of a proud but flawed tradition of nuclear engineering – are determined to keep their reactors running into the next century, whether or not they receive western help to make them safe.

Another limited nuclear incident, such as the one last March near St Petersburg which aroused a temporary surge of western political concern about Soviet reactor safety, would bring the issue back to the prominence it deserves. A sense of urgency is required if something is to be done before there is another Chernobyl.

The wrangles over the £20bn Eurofighter are symptomatic of a rough phase in defence collaboration, says David White

EFA – that queasy feeling

The scene opens in a hardened aircraft shelter, somewhere in Europe, sometime after the year 2000. Computer-generated images of an aerial combat mission, by an anonymous air force fighting an unidentified enemy, zoom across a semi-circular screen. The stomach lurches.

The flight simulation is a promotion for the European Fighter Aircraft, a £20bn project now caught in a limbo between reality and fiction. Britain, Germany, Italy and Spain have been working in earnest on the project for seven years. Two prototypes are nearly ready. More than £5bn has been spent. But it is now more uncertain than ever what form the aircraft will take, whose air force, if anybody's, will fly it – and when.

Germany no longer wants the aircraft it helped design. The other partners want costs cut. The Italians are already thinking they may be forced to buy something else. Spanish support hangs by a thread.

EFA should have made its maiden flight six months ago. It would have been the belle of the ball at the Farnborough air displays which closed on Sunday. In the event, it was the wallflower.

Outside the projection room where hundreds queued to see the flight simulation stood a forlorn mock-up of the aircraft. Instead, visitors watched live displays by the latest MiGs and Sukhois – the fighters that EFA was designed to take on. They also saw smaller European rivals of EFA's generation, Sweden's Gripen and France's Rafale, both resembling EFA with their delta shapes and small forward "canard" wings.

The manufacturers say technical hitches linked to some of EFA's computer-driven systems have been mostly overcome. But the politics of reunified Germany have given the whole project such a buffeting in the last few months that plans to have aircraft in service in 1998 already appear unrealistic.

A first flight is still scheduled this year. But the first prototype is German, and it is uncertain whether Mr Volker Rühe, the German defence minister, will want the flight to take place.

Germany has said it will stay in the £8bn development programme but not proceed with production of the current EFA design. British officials have ceased to entertain hopes that Bonn might accept a modified version of EFA as it exists, with a lower price tag and the option of a special-edition German model.

Mr Rühe, a prospective future candidate for chancellor, has overruled his air force, EFA supporters within the government and the German defence industry. His rejection of EFA, as too expensive and geared too closely to the needs of the cold war, was a clear political calculation.

In most of Germany, the fighter – known there as the Jäger 90 – had become irredeemably unpopular. Any chance of making Germans identify with the project was undermined by a perception that the British bullied their way into industrial leadership of all the main elements of the programme, including the radar and electronic warfare systems. Some were already calling it "the British aircraft".

The unwelcome surprise that Mr Rühe sprang in June was his proposal, not just that Germany withdraw, but that Europe should go back to the drawing board and make something different – cheaper, lighter and later.

While discussions continue between the partners, they seem to be talking at cross-purposes. Two sets of studies are due to be completed by late October. The first is by defence chiefs, who have been told to re-evaluate their operational requirements. The second is by the two main industrial consortia involved the project – Eurofighter and the engine grouping, Eurojet – and is intended to identify cost savings.

Britain, in its confidential long-term defence plans, is understood to have budgeted for a price of about £30m an aircraft at 1991 prices, excluding development and support costs. Eurofighter hopes to cut costs through a redistribution of work and more use of off-the-shelf components. The consortium plans a "buffet approach" – offering a range of options from which partners can choose.

The fate of EFA may be decided at a defence ministers' meeting in November. But there is already talk of trying to delay final decisions until the German elections of 1994.

For all of Britain's partners, the project poses budget problems. Germany is able to put off buying any new aircraft, relying for the interim on an ageing, but updated, fleet of F-4 Phantom fighters. Italy, on the other hand, urgently needs to replace its single-engined F-104 Starfighters.

"They take their life into their hands every time they fly," says one UK expert.

Rome has been considered Britain's staunchest EFA ally. But it recently asked McDonnell Douglas of the US for data on the F/A-18, a possible short-term substitute. Spain already uses this aircraft and has the least pressing military need for a new fighter. Its reasons for joining EFA were political and industrial. The more trouble the project encounters, however, the less compelling those reasons become. German officials say Italy and Spain are now interested in a cheaper collaborative venture.

Where does that leave Britain? "Technically," says Mr John Weston, British Aerospace's defence chief, "there is nothing in the programme that we could not do in the UK if we had to." Mr Malcolm Rifkind, the defence secretary, came close last week to saying Britain might be prepared to go it alone. But it is doubtful he would get his way in the cabinet if there were no other partners.

The RAF's requirement – originally set at 250 – is unlikely to be enough to make a competitively priced aircraft. Back in the late 1980s, the nominal viability threshold for the project was 800 aircraft, although purchase plans by the four partner nations never quite reached that level.

Lord Prior, chairman of GEC, the defence group which reckons it has as much at stake on the project as BAe, sees it becoming "a titanic struggle in Whitehall".

Bonn's proposals for a Jäger Leicht – or EFA Lite – have muddied the waters. EFA itself was meant to be as light and cheap as possible for the performance, with an airframe 70 per cent made of reinforced carbon fibre. How much lighter should it be? Mr Erich Riedl, parliamentary undersecretary at the German economics ministry, whose job it is to oversee the country's aerospace industry, dismisses the concept of a still lighter EFA as "laughable".

But the idea – jocularly dubbed the Volksjäger – is tempting to a country such as Spain, which might be willing to divert remaining development funds into a smaller, less capable aircraft. The Swedish government has expressed interest in participating, saying the aircraft would have a lot in common with its single-engined Gripen.

Eurofighter's own review includes a study of whether EFA could have one engine instead of two and still meet its required performance. Mr John Vincent, the consortium's managing director, said at Farnborough that it was making the study so "we cannot be accused of ignoring" the suggestion. Managers at Rolls-Royce, the UK engine partner, splutter at the very idea of a one-engine model.

Mr Weston at BAe believes the review will point to an aircraft "very similar" to the current EFA. The aircraft will be required to last 30 years, and Britain is reluctant to jettison any of EFA's capabilities.

All the alternative aircraft, apart from one, fall "significantly short" of the performance needed to beat new Russian-made fighters, says Mr Weston. The exception is the F-22 air-superiority fighter being developed in the US by Lockheed, Boeing and General Dynamics. But it is expected to be less versatile than the EFA and to come on the market at twice its price.

The Gulf war brought home the overriding importance of air superiority in any conflict, Mr Weston argues. "A poor second best in this area could mean that all investment in other military arms and systems may have been of little value."

But the worry haunting EFA's proponents is that the US will come in with a "loss-leader" – a multi-role fighter such as the F/A-18 or F-15, with an attractive price tag and industrial offsets thrown into the bargain. Mr Weston argues that offsets would never compensate for the work lost on EFA. BAe expects the project to engage 16,000 aerospace workers in the UK at the height of the programme. Some estimates put the figure as high as 40,000. Britain's engineering base would suffer if the project is scrapped, Mr Weston says, and export opportunities would be lost.

The bitterness and recriminations over EFA are symptomatic of recent European defence collaborations. Germany may well follow its EFA move by withdrawing from the Tiger attack helicopter project, which it is developing jointly with France. That in turn could scuttle the anti-tank weapon the helicopter is designed to carry, a project in which Britain is involved.

However, in many fields of defence, there is no alternative to collaboration if European manufacturers are to remain in the business. National budgets are shrinking; equipment is needed in smaller numbers; and development costs continue to rise. Secretive US projects in sectors such as combat aircraft are seen as leaving little room for outside partners except as subcontractors or, eventually, as licensees. The Harrier – a British aircraft reworked by Americans – is an exception to the rule.

The strangest thing about the wrangle is that the French – direct rivals – are not pleased with the prospect of EFA's demise. Officials and industrialists believe France's own long-term survival in the military aircraft business depends on having strong partners in Europe. After its experience with the Rafale project – which has also faced a reappraisal – France has no intention of going it alone again.

Mr Serge Dassault, its chairman, says he would be "most unhappy" if the EFA project fell apart. This is the same company that once fought with BAe over design leadership in a five-nation EFA project. When that quarrel came to a head in 1985, the French attempted to lure other EFA partners away from the project to join the breakaway Rafale programme, without success. If even the French are now worried by the consequences of EFA collapsing, then matters must be serious.

EFA: destination unknown

1983	Dec	Air forces of UK, France, Germany, Italy and Spain agree outline "staff target" for a joint fighter
1984	Oct	Five nations endorse formal staff target
1985	Aug	France drops out over specifications for aircraft
1986	Jun	Eurofighter and Eurojet consortia formed for EJ200 engine
1988	May	UK, Italy and Germany give go-ahead for development, Spain follows
1990	Jan	Anglo-German row over EFA radar settled in favour of British Ferranti-led system
1991	Jan	Germany sets up parliamentary review committee
1992	Mar	Four nations' air force chiefs confirm their commitment to EFA
	Jun	Germany withdraws from production plans, proposes lighter aircraft
	Aug	Defence chiefs told to review requirements
	Sep	Germany claims Spanish and Italian support for concentrating on lighter aircraft.

No way out from tough decisions

John Major's cancellation of a trip to Spain highlights the public spending dilemma, says Philip Stephens

The way in which Mr John Major's trip to Spain was cancelled at the last minute smacked of carelessness. An admission from Downing Street that the prime minister was needed in London to get to grips with the public spending round could hardly have been calculated to calm London's financial markets.

The threat of a sterling crisis may have been uppermost in Mr Major's mind. But he may also have judged that it was impossible to disguise any longer a looming cabinet battle over how the government is to meet its spending targets for the next few years. With the recession threatening another big increase in the government's social security budget, ministers are digging in against cuts in other sensitive Whitehall budgets.

Mr Major may have calculated that it was better to demonstrate now that he was intent on giving a political lead on public spending rather than allowing resentment among his colleagues to develop into a public row.

But direct involvement by the prime minister will not solve his government's dilemma over spending. How, during a deep recession, can it square its election promise to deliver improved public services with the need to reassure financial markets that public spending and borrowing are not spiralling out of control?

The latest projections on the outlook for public borrowing have alarmed Whitehall. Officials believe the recession's impact on the government's balance sheet – pushing up spending and cutting tax revenues – means the Treasury is already set to overshoot its £28bn borrowing target for 1992-93. More worryingly, the outlook for the 1993-94 financial year, which begins next April, points to a borrowing requirement of closer to £40bn.

Even these gloomy projections assume that the government manages to stick to its pledge of holding departmental spending to £244.5bn in 1993-94 and to £258bn in 1994-95.

Barely two months ago Mr Norman Lamont, the chancellor, was claiming a significant coup when he persuaded the cabinet to confirm these targets publicly – and to set up a new ministerial committee to ensure that the pain of meeting them was shared fairly between the main spending departments.

But it has become clear that the mechanism does not give ministers an easy escape route from hard political decisions. When the committee – chaired by Mr Lamont and including cabinet heavyweights such as Mr Michael Heseltine and Mr Kenneth Clarke – meets for the first time tomorrow it will be handed a gloomy assessment of the Treasury's initial skirmishes with spending ministers.

It is acknowledged that the figure is based on an optimistic estimate of unemployment

Mr Michael Portillo, the chief secretary, has held a series of bilateral meetings with cabinet colleagues to persuade them to whittle down the estimated £14bn of extra money they had bid for next year. Mr Portillo has managed to knock a "significant sum" off the threatened overshoot. But with some ministers unwilling to move on their individual bids, the projected total remains well above the £244.5bn figure they collectively endorsed in July.

In theory the target is not draconian. In real terms the figures pencilled in for total spending should allow for an increase in each of the next two years of 3.5 per cent. And with inflation likely to be lower than the forecasts on which that calculation was made last autumn, the growth rate could be higher.

But the global calculation obscures the ravages wrought by the recession on the £70.5bn social security budget. Most of the overall increase in public spending will be absorbed by higher benefits payments to the unemployed. Other departments – education, transport, environment and the Home Office among them – face an effective freeze or worse on their budgets to pay the additional benefits bill.

The present plans already allow for an increase in social security payments to £76bn next year. But it is acknowledged that the figure is based on an optimistic estimate of unemployment. The Treasury's calculations assume a jobless total of 2.4m. It is more likely to be 3m or above. That alone will lead to an automatic increase in spending of between £2bn and £3bn.

The other main pressure point is the council tax – the planned replacement for the community charge. Mr Michael Howard, the environment secretary, is arguing that, if the average bill when the tax is introduced is to come anywhere near the £400 per household suggested by the government, then the Treasury will have to hand over an additional £2bn in extra grant for local authorities and in temporary relief for those worst hit by the transition.

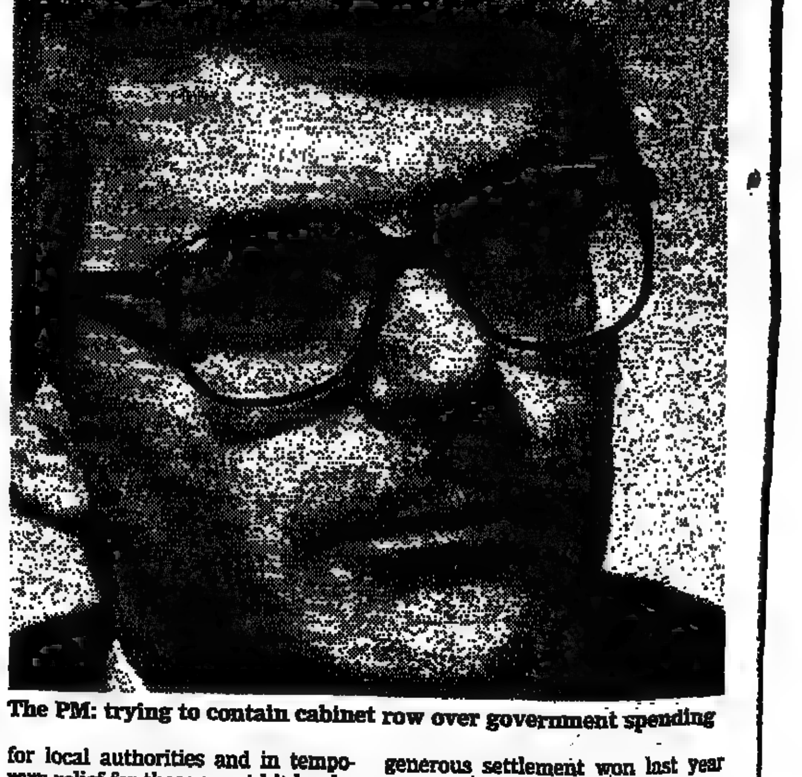
Mr Portillo has tried to scale down Mr Howard's bid, but there is recognition that the cabinet cannot permit a repeat of the increases in household bills which ensured that the community charge's introduction was a fiasco.

The implication is that the £4bn or so available for allocation this autumn from the Treasury's contingency reserve has been more than spent. When other unavoidable spending increases are added – the knock-on effect, for example, of higher-than-expected pay increases this year for health workers and teachers – the conclusion is that other ministers must abandon their bids for extra cash and accept cuts in their existing programmes.

The Treasury has already targeted the £7bn roads programme, the Department of Environment's £7bn housing budget, the urban aid programme, the Home Office's prison-building plans, and the relatively generous settlement won last year by the health department. It wants also deep cuts in the £24bn defence budget.

But cabinet ministers threatened by the squeeze are beginning to challenge the economic logic of financing increases in social security spending with cuts in the government's capital programmes. They are sensitive to the calls from the Conservatives' allies in the business community and from the government's backbench supporters for more rather than less to be spent on roads, schools and hospitals.

Some ministers are muttering that if the Treasury's target is to be met, the cabinet will have to confront the politically explosive issue of whether to stick with an open-ended commitment to higher state pensions, child benefit and income support payments. No Conservative government since 1979 has been prepared to grasp that nettle. But it may be that Mr Major has no other choice.



The PM: trying to contain cabinet row over government spending

Edward Mortimer

Cold war's final frontier

The North Korean iceberg may be beginning to melt under the impact of global warming

FOREIGN AFFAIRS

Europeans have often been accused, in recent years, of being excessively absorbed in their own affairs, and expecting everyone else to find those affairs equally absorbing.

The complaint was heard during the cold war, when Iraqis or Iranians could die by the hundred thousand without disturbing the global strategic balance but a single shot fired in Berlin would have the whole world transfixed. That particular spot of bother has been disposed of, but now Europeans cannot confront even smaller-scale problems such as Yugoslavia without calling in the UN to do the dirty work. Mr Boutros Boutros Ghali, the UN secretary-general, was complaining about that, quite rightly, back in July.

It was salutary, therefore, that this year's annual conference of the International Institute for Strategic Studies (IISS) should have been held last week a long way from Europe – in the South Korean capital, Seoul. The IISS is recognised as the leading think-tank in its field, but it is based in London and its directorial baton has just passed from a Frenchman to a Swede. So it did well to accept the invitation of its Korean members, reminding itself and the world that Asia, too, has its own security problems.

Although the conference was supposed to be about "Asia's international role in the post-cold war era", it was not until the final session that anyone said anything about the contribution that east Asia, home of the fastest-growing economies in the world, could make to global security.

One of the points made was that Japan has made a contribution, at the price of a traumatic internal debate, by amending its constitution to allow Japanese troops to join in UN peacekeeping operations. I agree, but it was clear that some Asians present (not least those from Korea itself) saw even this as an extra problem, since the memory of what Japanese troops got up to last time they went overseas is still too fresh and too painful.

Anxiety and suspicion left over from old conflicts, and the second world war in particular, can hardly surprise the European visitor. But what does strike anyone used to thinking about security in a European or Atlantic context is the lack of any regional structure designed to overcome or even manage these problems. No Nato, no EC, and for that matter no Warsaw Pact.

The cold war in these parts was waged, on both sides, through an untidy set of bilateral relationships. On the communist side there was open hostility between China and the Soviet Union from 1960 onwards: local communist powers such as North Korea and North Vietnam were obliged to maintain a delicate balancing act between the two. On the western side there was the ill-fated South-East Asia Treaty Organisation (Seato), but even the great "pactomaniac" of the 1950s, John Foster Dulles, did not attempt to form a Neato between Japan, South Korea and nationalist China (Taiwan).

So it is hardly surprising that Asians are not very receptive to the suggestion, insistently pressed on them by Europeans, that they should deal with the residue of the cold war by forming a "CSCA" (conference on security and co-operation in Asia), modelled on the CSCE, the Conference on Security and Co-operation in Europe.

Koreans are unreceptive to suggestions that reunification of their peninsula could be managed through a '2 plus 4' process on the German model

The CSCE in its present form is not much to write home about, in any case: it is doing precious little to resolve the conflicts breaking out all over eastern Europe, and has not even got round to filling the post of high commissioner on national minorities, which it decided to create more than two months ago.

The CSCE came into existence originally as the result of complex negotiations between two already highly structured blocs. No such building blocs are visible in Asia today. But the alarming result is that almost every Asian state, faced with the prospect that the US might lose interest in the region in the absence of a Soviet threat, is stepping up its military expenditure and nervously eyeing that of its neighbours.

Koreans, for their part, are especially unreceptive to suggestions that the reunification of their peninsula could be managed through a "2 plus 4" process on the German model – the four being, in this case, the US, Russia, China and Japan. It is true that South Korea is now officially on good terms with these four, having established diplomatic relations with China last month. But Koreans are quick to point out that the four do not have the legal status in Korea that Britain, France, the US and the Soviet Union had in divided Germany.

Korea was not a defeated power in 1945. On the contrary, as a "liberated" Japanese colony, it was on the side of the victors. Its division only came about because Mr Dean Rusk, then a middle-ranking US state department official, drew a line along the 38th parallel. South of it, the Japanese surrender would be accepted by American forces; north, by Soviet ones. The Soviet Union took advantage of this arrangement to install a communist regime in the north under President Kim Il Sung, who is still there.

Mr James Baker, when still US secretary of state, described the Korean peninsula as "the last glacier of the cold war". That is certainly a good description of Kim Il Sung's regime, which has done a more thorough job of isolating and repressing its people than any other communist regime since Stalin's death.

Radio and TV sets are pre-tuned to government stations, and those few North Koreans who travel abroad on official business are forbidden to talk about their experiences when they return home, on pain of dire consequences. It is assumed, therefore, that North Koreans know far less about South Korea than East Germans did about West Germany; and South Koreans admit to knowing very little about the lives and opinions of ordinary people in North Korea.

Talk of "managing reunification", therefore, may seem premature. Kim Il Sung is not volunteering for the fate of Mr Erich Honecker. No Gorbachev, and probably no Deng Xiaoping, is in a position to topple him from power. But he is 80 years old and his chosen successor, his son Kim Jong Il, cuts a less than convincing figure.

Even the North Korean glacier may be beginning to melt under the impact of global warming. In the past two years Mr Kim has embarked on barter trade and political dialogue with the South (the eighth "high-level meeting" is being held in Pyongyang this week); and this summer, yielding to intense pressure from the US, Mr Kim has allowed the International Atomic Energy Agency to carry out a thorough inspection of his country's nuclear facilities.

That is still a long way from unification, and the South would be happy to keep the process as gradual as possible; it is well aware of the havoc wrought by rapid unification in Germany, which in many ways was better equipped for the task.

But many South Koreans are also aware that they may have no choice in the matter, if the regime in the North cracks and its people begin to flock southwards as East Germans flocked west.

If that happens, the new Korea will need a lot of help and understanding from its neighbours. Surely some sort of multilateral framework, with the US as a full participant, would help the states of the region to approach this and other looming security problems with greater confidence and less mutual distrust.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Government purchase of services

From Mr William Waldegrave.

Sir, Michael Smith's report, "Treasury spells out preference for private sector" (September 10), repeated a misleading statement by Civil Service unions on government policy. The unions quoted from a document about selling government services into outside markets and claimed that this conflicts with our statements on Competing for Quality. This is not so. The two are different. The first deals with government competing with the private sector in markets outside government, the second with government as purchaser of services for its own use.

Our guidance on market testing sets out very plainly our policy on the government's purchase of services for its own use on behalf of the taxpayer. We want to improve the quality of services. A key element of this is to ensure that services currently provided in-house are tested against the market. The contract will be awarded on the basis of who can provide the best combination of quality and price. Staff will be encouraged to prepare a proposal and bid on the same basis and time-scale as the private sector.

This is fair to those who work in the public sector, to the taxpayer and to those dependent on services purchased by government.

When the government may be in competition with the private sector in the supply of services outside government, it is important that it does not use what may be its cheaper access to capital or other advantages to compete unfairly; and where the private sector operates satisfactorily, there has long been a presumption against expanding the role of state as trader.

Market testing will be conducted with fair and open competition for internal and external bids and with no dogmatic preference for either.

William Waldegrave,
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Devaluation: a remedy that has not worked in the long run

From Professor Geoffrey Maynard.

Sir, Prof Muellbauer (Personal View, September 14) makes a strong case for a devaluation of sterling. It is one that has been advanced many times in the last 20 years, the core of it being that output, employment and manufacturing competitiveness will all be increased while, in the existing state of employment, inflation will not be significantly raised.

Indeed, Prof Muellbauer goes further. Econometric models, including the Treasury's, he says, "take no account of the ways a devaluation could in current circumstances raise output permanently and cut inflation in the longer run".

Those with long memories note that the D-Mark/sterling exchange rate is 2.80 today compared with more than 8 in 1971; that in the intervening years UK inflation has far exceeded Germany's; and that the UK's relative manufacturing competitiveness is probably worse today than it was then. Real wages and labour productivity have risen less fast in the UK than in Germany; and the UK has generally found it more difficult to maintain employment. Some people, including myself, do not believe that these developments are unrelated.

Admittedly a strong short-run case can often be made for sterling devaluation, but the obvious failure of the repeated application of the remedy to work in the long run should surely lead us to be wary of it.

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Wrong curriculum for 21st century

From Frances Stewart.

Sir, Joe Rogaly ("Apple-pie curriculum", September 11) describes his ideal curriculum for British children today as including proficiency in English, "an acquaintance with the Bible and Shakespeare and the best of modern literature. A little science, a smidgen of history and a dip into French, German or another European language". And he claims, presumably correctly, that this is what the national curriculum will achieve.

Is this a curriculum suitable for preparing British children for the 21st century, from an economic, political or cultural perspective?

For Britain to reverse its economic decline, our education must include basic science and technology as central subjects, more important than the Bible or Shakespeare. A little science is not enough.

If Britain is to participate fully in European governance and our children are to participate fully in its economic opportunities, every child should leave school fluent in another European language. A "dip" into a foreign language – which is what most English children enjoy now – will leave us and them at an increasing disadvantage in all European matters. Ideally every child should have some of their schooling in another European country.

In our multi-ethnic society, the exclusive focus on the Bible and Shakespeare is offensive to the non-Christian majority and makes no attempt to educate our children to be tolerant and inclusive in their religious and cultural attitudes.

Joe Rogaly (and apparently the government's) curriculum is an attempt to turn the clock back to the 19th century in cultural terms – and then our under-emphasis on technology and its low prestige was the forerunner of our present economic decay. His curriculum is ideally suited for a life spent on the desert island of Desert Island Discs, when the only occupation available is to read the Bible and Shakespeare; is this the environment we expect in the 21st century?

Frances Stewart,
Fellow of Somerville College,
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The Japanese have never forgotten Keynes

From Peter McGregor.

Sir, In his interesting piece, "International Capital Markets: Europe stays out of step" (September 7), Anthony Harris says that the Japanese have rediscovered Keynes. When we made a detailed study of the Japanese domestic construction market in 1990 (still the only one of its kind, the report on which the Japanese requested permission to translate), it was obvious that they had never forgotten him. When we said so to the president of the Research Institute for the Construction Industry, he was very amused. In construction any shortfall in private investment is made up by public investment and vice versa.

The Japanese also understand that you create a supply-side economy by ensuring there is a supply of what the economy needs (educated and trained people, research and development, investment in plant, product design and marketing) rather than hoping it will be induced by macro-economic magic. And a successful economy can be solidly based on investment and exports, not domestic consumption.

Finally, the Japanese understand the power of the tribe (see Michael Prowse's piece on Hayek, September 7). In their successful days there were British and American tribes which had the same power, but no longer.

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Success achieved through tailoring services to market needs

From Miss Yumiyo Yamamoto.

Sir, With distribution logistics fast becoming an even bigger global concern, I read the FT's survey on Distribution Service (September 3) with great interest.

However, in the article "A hidden force ready for action – Japanese eye UK market", the remark by Mr Jack Mather, chief executive of NFC, that "[The Japanese] come in on the back of Japanese manufacturers – they all trade and link together – and use them as a base. Then they'll spread to other customers", makes us Japanese sound like some sort of germ. It spoilt, at least for me, the up-till-then impartial and objective analysis of Japanese distribution network systems.

I cannot deny that there are many undesirable aspects about the Japanese manufacturer-distributor relationship. But it would only mean another bout of meaningless "Japan-bashing" to criticise current systems without trying to find out what makes them click, and without saying what exactly critics want done about it. I may well be mistaken, but I feel the main reason for Japan's "success" in this area was that which seemed to be asked for throughout the survey – an understanding of the customer's business and services tailored to market needs.

True, some Japanese companies may continue to prefer all-Japanese "exported" systems, but there are limits to this, and as the confidence and scale of Japanese business grow, many already realise the merits of local networks and are using the most efficient, logistic system regardless of nationality. Surely local customers will also want to give their custom to the provider of the best services in the same way?

In an increasingly borderless world, we must do our best to understand and learn from one another in order to reap the benefits of mutuality and reciprocity, and make the best use of the "good" competition available to achieve co-prosperity worldwide.

Yumiyo Yamamoto,
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Japan

OBSERVER

After-dinner treats

■ Being a "close friend" of analyst-cum-author Terry Smith, who is making the most of his 15 minutes of fame, certainly brings its own reflected glory.

Paul Compton, UK engineering analyst at UBS Phillips & Drew, is resigning this morning to go to Credit Lyonnais, a move that would undoubtedly have gone largely unnoticed – apart perhaps from a brief envious glance from his colleagues in the direction of his "much better salary" – had he not been a regular dinner companion of Terry Smith.

Smith, the author of Accounting For Growth and recently sacked by UBS P & D, has been basking in the glare of publicity and the ensuing flurry of questions about the independence of analysts at City investment houses.

He has asked Compton to appear as his witness in the second disciplinary hearing. Compton, in turn, is ruling out any connection between his resignation and his witnessing activities. Pointing out that another colleague, still with the firm, was the witness at the first session, he goes on to explain that he is joining John Holmes, formerly head of Morgan Grenfell Securities, for whom he worked before joining UBS four years ago. He has been in discussions for the past six months, – though he is not denying that the dismal atmosphere at the firm in the wake of the Smith upheaval may have speeded his departure.

Chatterbox

■ Pleased to hear that Sir Christopher Tugendhat, chairman of Abbey National and author of what is generally seen as one of the more offbeat ideas for heaving the British housing market out of the doldrums, has found a soul mate to chat to at board meetings.

True to the bank's style of picking "unconventional" people as its non-executive directors, it has chosen Sir Terence Heiser, who retired as permanent secretary at the Department of the Environment in June. "His style, way of thinking, and background is not exactly conventional," enthuses Sir Christopher.

In common with the last mandarin non-exec at Abbey – Sir John Garlick who retired last year – Sir Terence has anything but the typical Whitehall background; they both, for instance, joined the civil service straight from school. With his recreation of "talking", according to Who's Who, he obviously continues to defy the norm for his colleagues.

Sir Christopher says he has not been able to discuss his idea of tax breaks for homeowners who have lost money on their bricks and mortar investment, as Sir Terence is still in purdah. For two such chatty men (Sir Christopher lists "conversation" as one of his Who's Who recreations) this must have been a severe strain.

Regional

■ Just what sort of impression is English Heritage giving when the answering machine at the press office relays a message couched in an impeccable American accent? A second call yesterday produced a live press officer. "Yes it is quite bizarre," he agreed, in dulcet English tones.

Just in case

■ The Bingham report into the collapse of BCCI, the corrupt international bank, could have landed its author, Lord Bingham, in very hot water.

The report – commissioned by the government – was at one stage scheduled to be published today. However, the inquiry has few precedents and so it was only late in the day that the Treasury's solicitors discovered that very little privilege attached to it. In other words, Lord Bingham, the new Master of the Rolls, could have been sued for libel.

Rather than risk a lorryload of writs landing on the desk of the most senior civil court judge, the Treasury has decided to postpone publication till the report can be released under parliamentary privilege when the Commons resumes.

'I'm hoping for a piece of the Bundesbank to go with my piece of the Berlin wall'

ASerbic

■ Old enmities die hard. Lord Owen's onerous task of reconciling the warring factions in the former Yugoslavia is winning the former SDP leader little sympathy at the Harrogate gathering of his former allies in the Liberal Democrats. Instead, he is still remembered as the man who wilfully dismembered the third force in British politics in the manner of a Serbian warlord. The mere mention of his name even now provokes hisses among conference delegates. One former friend now refers to him unkindly as Lord Owen of Split.

Unpopular

■ Canary Wharf has lost another lifeline with the outside world. The Number 40 bus no longer stops there and has returned to its old route on the East India Dock Road. It seems that there were hardly enough people to fill the front seat of the top deck of a 70-seater. "The London Docklands Development Corporation has asked us to reconsider the pattern of the service when people start to move into Canary Wharf," says a spokesman of the government-owned London Buses, before adding sniffily, "whenever that may be."

Votez bleu

■ The Socialist Group in the European Parliament – which recently announced via some fine posters and postcards that Napoleon and Charlemagne would have voted Yes in Sunday's French referendum on Maastricht – have now brought their campaign efforts a bit more up to date.

They have taken out an access code on France's high-tech, on-line Minitel service, which is available to all telephone subscribers. So all those punching "Vote Oui" into their Minitel handset will get a crisp and graphic explanation of why they should indeed vote Yes on Sunday; 4,000 callers have so far availed themselves of this clarification.

And as a spoiling tactic, the Socialists also booked the "Vote Non" code so as to keep one jump ahead of the motley rejectionist front in the Maastricht campaign.

The smirk on their faces acquired a slightly pink hue, however, when it was discovered that the simple "Oui" access code gains callers entry to a distinctly bluer, though equally graphic area – one of Minitel's porn services.

FINANCIAL TIMES
Wednesday September 16 1992

UK and France defend stance on radioactive waste

Treaty to ban dumping in Atlantic under threat

By Bronwen Maddox in London

A NEW treaty to ban dumping of waste in the Atlantic may be threatened by British and French refusal to agree to stop dumping radioactive waste, the Department of the Environment said yesterday.

Ministers from 12 North European states – the UK, France, Belgium, Denmark, Germany, Iceland, the Republic of Ireland, the Netherlands, Norway, Portugal, Spain and Sweden – will meet on Monday in Paris to sign a convention covering all aspects of marine pollution.

It is intended to replace the existing 1972 Oslo Convention of on dumping waste at sea and the 1974 Paris Convention on discharging waste from rivers to the sea.

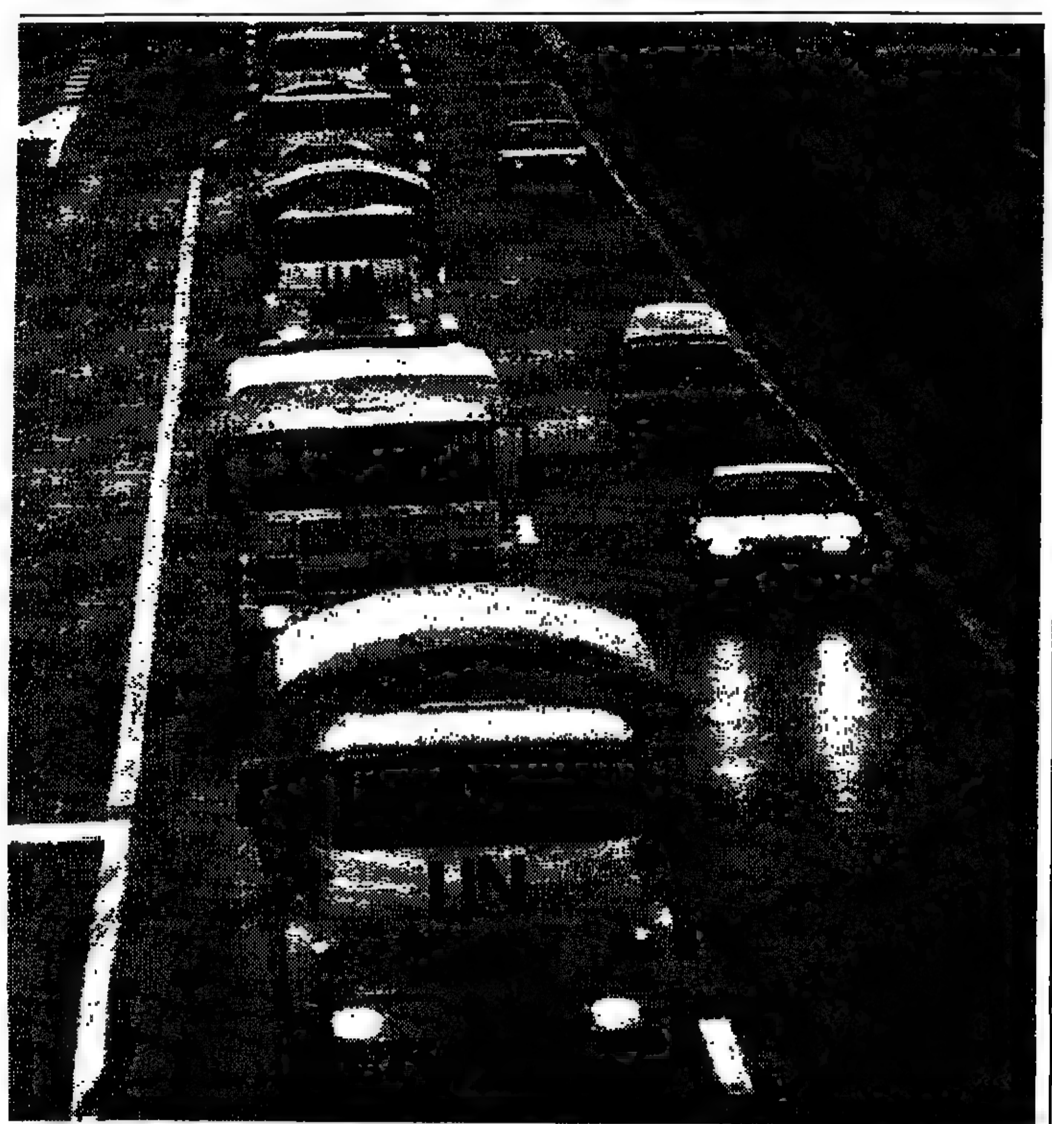
Britain and France are insisting on reserving the right to dump "large bulky items" at sea, a clause intended to cover the reactor components of nuclear submarines and power stations. The other ten countries want a permanent moratorium on the dumping of radioactive waste.

The Department of the Environment said yesterday that the government wanted to wait for a study by the administrators of the London Dumping Convention, an international dumping treaty, before committing itself on radioactive waste.

Mr David Maclean, environment minister, who will represent the UK in Paris, said yesterday that existing treaties had already reduced marine pollution.

Levels of heavy metals in the sea had fallen since 1975, he said. The level of Copper had fallen by 70 per cent, cadmium by 23 per cent, mercury by 38 per cent, lead by 37 per cent, and zinc by 29 per cent, said Mr Maclean.

He added that Britain would stop dumping industrial waste at sea in a few months, and would stop dumping sewage sludge by 1998.



Help on the way: this convoy of more than 30 aid trucks left Belgrade yesterday for Sarajevo. The UN Security Council is to send an extra 6,000 troops to Bosnia-Hercegovina, aimed at increasing international relief operations throughout the former Yugoslav republic Editorial Comment, Page 14; Background, Page 4

Japan's prosecutors pursue Liberal party's 'kingmaker'

By Robert Thomson in Tokyo

JAPANESE prosecutors insisted yesterday that Mr Shin Kanemaru, the "kingmaker" of the ruling Liberal Democratic party, would be formally investigated over whether his receipt of Y500m ($4.07m) from a scandal-tainted trucking company was in breach of political funding laws.

Doubt over Mr Kanemaru's future has unsettled the ruling party, which presumed that its former vice-chairman would not be pursued. Mr Kanemaru, head of the party's largest faction, thought he would not be formally questioned and refused to go to the Tokyo prosecutor's office.

But investigators have grown impatient with Mr Kanemaru, and appear to have leaked details of the donation and his alleged links to a gangster group which were widely broadcast on Japanese television last night.

The information had been gathered by prosecutors during questioning of Mr Hiroyasu Watanabe, the former president of Tokyo Sagawa Kyubin, the parcel delivery company involved in massive payments to politicians and government officials.

Mr Kanemaru has admitted that his office received the Y500m, but said the funds were "goodwill money" for the party and were not in breach of the Political Funds Control Law. The amount is far above the Y100m which is allowed under law to be donated by a company to one party. Breach of this law carries a maximum fine of only Y200,000.

To show his remorse, Mr Kanemaru resigned as party vice-chairman, but suffered no loss of power in the party. However, his ability to raise funds, which sustains his status within the party, could be hurt by the allegations yesterday that he asked gangsters to end protests against LDP leaders by far-right groups.

Prosecutors are using the gangster issue to try to embarrass Mr Kanemaru into appearing at their office this week. His assistants say he is preparing a written explanation for the prosecutors, but they want him to make an appearance in person.

The possibility of Mr Kanemaru's reputation suffering serious damage from the scandal has prompted a power struggle within his faction.

Möllemann calls for economic reforms in Germany

By Quentin Peel in Bonn

MR Jürgen Möllemann, Germany's economics minister, yesterday called for a comprehensive reform of the country's education and welfare systems, labour laws and enterprise taxation to restore its international competitiveness.

At the same time he appealed for more radical action, including extended investment subsidies, to revive the east German economy and warned that recovery in the east could take at least a decade.

In a broad-ranging paper on the ossified structure of the German economy in the 1990s, Mr Möllemann called for legally binding budget controls to restrain public sector spending by central and local government.

He proposed an overhaul of the wage-bargaining system to provide more flexibility, above all in eastern Germany where mass unemployment is stoking social unrest and racial violence.

Businesses faced with bankruptcy – particularly in the east – must be allowed temporarily to suspend wage agreements to stay in operation, he said.

He also proposed that a new law on working time should be introduced, allowing for more flexible working hours, more shift working to use factory equipment more efficiently and greater flexibility in working on Sundays and holidays.

He proposed that the retirement age, now 65, should be raised and made more flexible, with people given incentives to work longer.

On the other hand, university courses should be shortened, because students could currently extend their studies almost indefinitely; the norm should be for students to start work by the age of 25, he said.

Mr Möllemann renewed his call for a series of enterprise tax reforms and for an overall cut in the peak rate of income tax from 53 to 44 per cent, both for individuals and small businesses.

He presented a generally gloomy view of the state of the German economy, above all in the east. "We face the total collapse of the social and economic system in eastern Germany," he said. "It is impossible to overcome this in two or even in five years. We will need a whole decade."

The minister expressed scepticism about the stimulus to growth which would flow from the German Bundesbank's latest cut in interest rates, of between 0.25 and 0.5 percentage points.

"The warning lights for economic and social development must not be overlooked," he said.

Mr Möllemann's said his strategy paper, to be presented to the full German cabinet on September 23, should provide a working basis for Chancellor Helmut Kohl's proposed "solidarity pact" between employers, unions and central and local government to help finance the cost of German unification.

But his free-market ideas were instantly criticised by the trade unions and the opposition Social Democrats. Mr Wolfgang Roth, economics spokesman of the SPD, said the minister had no new ideas, but was at last admitting the scale of the problems.

Waigel denies interference on rate cut, Page 3
Cartel Office probes savings rates, Page 4

THE LEX COLUMN

Shredded paper

In one sense the stock market deservedly got its come uppance yesterday from Arjo Wiggins Appleton. UK income funds, in particular, have been guilty of bullying companies into maintaining expensive dividends in the face of deepening recession. The obvious threat of a collapsed share price if they step out of line, though, counts for nothing if the victim displays little regard for City credibility.

That is an inescapable conclusion after the wholly unexpected 20 per cent cut in Arjo's interim payout. The Anglo-French paper maker must have known that the reaction would be severe – £400m off its market capitalisation is vicious by any standards – and that investors would be puzzled by its motives. Cover on an unchanged payout for the year, after all, would probably have been 1.5-1.7 times earnings: short of its desired 2-2.5 times target but perfectly respectable in these difficult times. The balance sheet is far from stretched – gearing may be 30 per cent by the year end – and the £13m cash saving on the dividend is dwarfed by acquisitions and capital spending.

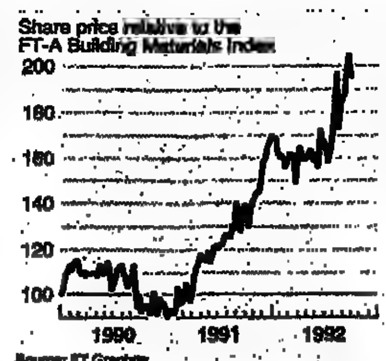
Simple miscalculation seems an unlikely explanation for a Footsie company. The sudden assertion of continental long-termism looks equally implausible, though few can be in any doubt now that the French are in full control. St Louis' 39 per cent stake, however, does not provide access to the huge cash flows of which Arjo will one day be capable, which is why a full takeover may yet be the ultimate aim. It does not take a conspiracy theorist to recognise that a lower share price helps in this respect.

The trouble with buying the shares at 129p is that patience may be required. On fundamental grounds they look cheap relative to the market, there is no obvious black hole, and the overcapacity problem which lies at the root of weak European earnings should be mostly resolved by the end of next year. Given the market's disenchantment, though, it is hard to see a stampede of takers.

FT-SE Index: 2370.0 (-52.1)

MB-Caradon

Share price relative to the FT-A Building Materials Index



Source: FT Graphite

Currencies

It has suddenly become reasonable to wonder whether the UK can make it through to the weekend without raising base rates sharply to defend sterling. By last night the sense of alarm in currency markets was every bit as bad as it was on Friday, and sterling was firmly in the firing line. The trouble is only partly that the devaluation of the lira was too timid and the ensuing Bundesbank rate cut to small. Yesterday's weak retail sales figures from the US do not help either. They underline the limited prospects for a narrower trans-Atlantic interest differential which would sustain the dollar and curb upward pressure on the D-mark.

To make matters worse, Mr Major has made a strategic blunder by cancelling his trip to Spain. The markets were quick to conclude that his nerve is faltering. Having just made a killing out of the lira at the expense of the Bank of Italy, dealers must now think the Bank of England is ripe for similar treatment. A token rise in UK rates will hardly put them off. Mr Major would have to opt for two points at least to show earnest commitment. But that would leave the real economy in an even bigger mess.

Kingfisher

Hard times and prudent management of cash flow distinguished Kingfisher's interim figures yesterday. Indeed, the company earned an interest credit for the first time since its buy-out 10 years ago. Yet there are inevitable signs of strain at the trading level. Worst affected is B&Q which has been fighting price battles with DIY competitors Texas and Do It All. Despite B&Q's late entry to the fray, profits fell by 14 per cent to £40m.

As it attempts to persuade consumers it offers value for money, B&Q is switching to fixed low prices. This is a good long term plan, but it carries considerable cost. The question is no longer when the recovery will arrive, but rather how to live without it. There is overcapacity in the DIY sector, and price-cutting will take time to weed out the weaker companies. B&Q will be a winner. Meanwhile its profits risk being squeezed by bouts of heavy discounting on the part of its competitors.

As for the rest of the group, Comet still has a poor position in its market. Having failed to buy Dixons, the logic for Kingfisher must be to sell its electrical retailer eventually. Woolworth is dependent on a good Christmas, the prospect of which receeds as fast as sterling falls. Kingfisher's best asset, its management, is struggling heroically. Sadly, the attraction of the shares lies not in the company's trading outlook, but in the dismal prospects elsewhere.

MB-Caradon

The market has been wondering for some time when and whether MB-Caradon will go on the acquisition trail. But the strategic need to do so is growing more acute, to judge by yesterday's interim results. Pre-tax profits were up 28 per cent on the first half of last year. The interest charge fell as last year's rights issue proceeds were applied to reducing debt. Operating profits from security printing rose 45 per cent. That masks a pretty dismal performance in UK building materials, a market which appears to have got worse as the half progressed.

MB-Caradon has managed its way through the recession better than some in this sector, but there must be a limit to the degree to which efficiency gains alone will limit the damage. It would be rash to assume that continental markets will continue to provide offsetting growth or to rely on much further gains from security printing. Last year's second half was already strong in that division. Volume growth is weak and operating margins have now topped 20 per cent. Scope for further enhancement is limited.

Happily, gearing is down to 12 per cent. How the management exploits this strength is crucial to securing future growth. It has been reluctant to go on a buying spree too early in the downturn, but there is also a danger of missing the boat. Similarly, timing is of the essence in the sale of its 25 per cent stake in CarnaudMetalbox. The holding has more than doubled in value since the beginning of 1991. Finding a buyer will be harder once the recovery is complete.

Bundesbank chief in row over ERM alignment

Continued from Page 1

the exchange rate mechanism, including the pound, which yesterday hit a new low against the D-Mark within the ERM.

They are also likely to irritate the UK government which is battling to maintain the pound's position within its ERM band. In an initial response last night, an official pointed out that Mr Major had specifically ruled out support for a comprehensive reworking of the ERM. Mr Norman Lamont, chancellor, said last night: "There has never been any question of sterling being realigned or devalued and at no stage did anybody else suggest we should move with the Italians".

As Mr Major cancelled plans at the eleventh hour to fly to Spain, UK pension funds and other large investors switched money out of pounds into D-Marks, forcing the bank of England to intervene to prop up the currency.

Sterling's difficulties could be worsened if Sunday's French referendum on the Maastricht treaty delivers a No vote to European economic and monetary union. Senior UK government ministers are reconciled to raising interest rates to maintain sterling within its ERM band should this prove necessary. But there is a clear hope that such an increase can be held off, at least until after the French referendum result. The fresh turbulence in the ERM seriously unsettled other weak currencies including the lira and the Spanish peseta. It came in spite of Monday's cut in interest rates in Germany and the devaluation of the lira.

The pound's continued weakness intensified expectations that the British government might soon be forced into a damaging increase in interest rates to prevent the pound breaching its ERM limit.

Last night, the pound closed against the D-Mark at DM2.7800, 1¼ pfennigs down on the day and at the lowest level since Britain joined the ERM 23 months ago.

At the close the currency was just one fifth of a pfennig above its floor of DM2.778, at which the government action is required.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	C	16	61	Frankfurt	F	19	66	Majorca	F	28	82	Oporto	S	29	84	Tenerife	S	27	81
				Brussels	F	18	64	Geneva	S	20	68	Malaga	C	26	79	Oslo	F	12	54	Tokyo	C	23	73
				Budapest	S	20	68	Gibraltar	C	23	73	Malta	F	28	82	Paris	F	20	68	Toronto †	C	17	63
Ajaccio	S	26	79	Buenos Aires	F	21	69	Glasgow	R	13	55	Manila	C	31	88	Prague	F	16	61	Tunis	F	30	86
Algiers		–	–	Cairo	S	30	86	Helsinki	R	14	57	Melbourne		–	–	Reykjavik		–	–	Valencia	C	26	79
Amsterdam	F	17	63	Cape Town	F	17	63	Hong Kong	F	31	88	Mexico City	R	24	75	Rhodes	S	27	81	Venice	S	26	79
Athens	S	28	82	Caracas	F	29	84	Innsbruck	F	20	68	Miami †	S	27	81	Rio d'Janeiro	C	29	85	Vienna	S	20	68
Bahrain	S	38	100	Casablanca †	S	41	106	Inverness	C	15	59	Milan	S	25	77	Rome	F	28	82	Warsaw	F	16	61
Bangkok	F	33	91	Chicago †	F	21	70	Islamabad	F	31	88	Montreal †	S	14	57	Salzburg	F	18	64	Washington †	S	16	61
Barcelona	F	25	77	Cologne	F	19	66	Istanbul	F	23	73	Moscow	S	16	61	S'Francisco †	S	12	54	Zurich	F	19	66
Beijing	S	24	75	Copenhagen	F	17	63	Jakarta	C	32	90	Munich	F	19	66	Seoul	S	27	81				
Beirut	S	29	84	Corfu	S	28	82	Johannesburg	F	27	81	Nairobi		–	–	Singapore		–	–				
Belfast	R	14	57	Dallas †	C	23	73	Lisbon	S	31	88	Naples	F	28	82	Stockholm	C	12	54				
Belgrade	F	19	66	Dublin	C	16	61	London	F	17	63	Nassau	C	32	89	Strasbourg	C	22	72				
Berlin	C	17	63	Dubrovnik		–	–	Los Angeles †	F	18	64	New Delhi	S	31	88	Sydney		–	–				
Biarritz	S	23	73	Edinburgh	F	16	61	Luxembourg	C	16	61	New York †	S	18	64	Taipei	C	32	90				
Bombay	F	30	86	Faro	S	28	82	Madeira	F	24	75	Nice	S	26	79	Tangier	S	31	88				
Bordeaux	F	21	70	Florence	S	27	81	Madrid	S	28	82	Nicosia	S	28	82	Tel Aviv	F	29	84				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

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INSIDE

MB-Caradon ahead on interest cut

MB-Caradon, the UK conglomerate, increased interim pre-tax profits from £47.2m ($93m) to £60.6m helped by interest savings following its £149m rights issue last November. The group's 25.2 per cent stake in CarnaudMetalbox, the European packaging group, contributed £20.6m to profits. Page 22

Bloomberg on the right note

The day after Mr Michael Bloomberg paid $13.5m for WNEW AM, one of New York's most famous music radio stations, there was no shortage of people asking him for a job. Disc jockeys, however, do not figure in the station's future. Sinatra will be replaced by stock prices. WNEW will become WBBR (Bloomberg Business Radio) and a fast-growing financial news and data company, Bloomberg Financial Markets, will take a step forward. Page 19

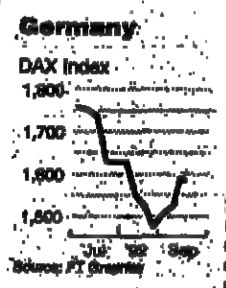
Canada's miners move abroad

Leaders of Canada's mining industry will be giving federal and provincial mines ministers a hard time at their annual meeting later this month. The main item will be a report saying Canadian mining companies are cutting exploration budgets at home but steadily increasing investment elsewhere in the world. Page 24

Skandia sells US arm

Skandia, the Swedish insurance group, yesterday announced the sale of Great States Financial, a workers' compensation insurer licensed in California and Arizona, to FHP International of the US. The Swedish group said the sale reflected its decision to reduce its exposure in the US, and follows plans to spin off part of its US reinsurance business. Page 18

Muted cheer from Frankfurt



It was just what the German market needed. After optimism at the start of the year was replaced by gloom about international economic and currency trends, this week's interest rate cuts by the Bundesbank and the European exchange rate realignment brought a note of cheer back to dealing rooms. But the mood is not exactly euphoric: The Frankfurt market DAX index put on 4.4 per cent on Monday. Yesterday, it fell 0.5 per cent to 1,587.55, well below its high of 1,811.57 at the end of May. Back Page

Repsol delays equity sale

Repsol, the Spanish state-owned oil, gas and chemicals group, is to delay a placing of some 10 per cent of its equity until next year to allow parliament to lift legal barriers to the deal. The delay caused some surprise on the domestic markets. Page 21

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Chief price changes yesterday

FRANKFURT (DM)				AMR	49	−	1⅛
Rises				IBM	85⅞	−	2½
Holzmann Ph	915	+	14	Philip Morris	84⅞	−	⅝
Rheinmetall Ber	254	+	16	**PARIS (FFr)**			
Falls				**Rises**			
Berliner Bnk	245	−	6.5	Accor Entre	687	+	27
Lahmeyer	591	−	29	Roussel-Uclaf	420	+	18.5
Schmalbach Lub	363	−	9.5	**Falls**			
Volkswagen	331	−	4.6	Elf-Aquitaine	344	−	12
NEW YORK ($)				St Louis	1109	−	95
Rises				Soc Generale	541	−	20
Gen Electric	77¼	+	¼	Suez	256.8	−	11.2
RJR Nabisco	8⅞	+	⅛				
Falls							
Amer T & T	44⅝	−	⅝				
Tokyo closed.							

LONDON (Pence)				Granada	220	−	15
Rises				Haggas (J)	99	−	7
Fairline Boats	148	+	8	Kwik-Fit	89	−	7
Mallett	30	+	6	MB-Caradon	224	−	12
Trinity Intl	250	+	9	P-E Intl	53	−	9
Woodchester	154	+	16	Paton	68	−	20
Falls				Redland	336	−	19
AB Electronic	47	−	10	Simon Eng	130	−	33
Airbreak Leis	10½	−	13½	Sketchley	89	−	8
Arjo Wiggins	129	−	53	TI Group	268	−	17
Br Aerospace	198	−	15	Tarmac	86	−	4
CALA	38	−	4	Usher-Walker	65	−	65
Clarke Foods	18	−	3				
Comm Union	483	−	27				
Delta	353	−	25				

Canadian group's investors face losses

By Bernard Simon in Toronto

SEVERAL European banks and many individual investors stand to suffer heavy losses from their exposure to Castor Holdings, the Montreal-based property holding company at the centre of a tangled international group controlled by financier Mr Wolfgang Stolzenberg.

A bankruptcy trustee, Richter & Associates of Montreal, has identified contingent liabilities of C$743m (US$610m) since Castor was placed in receivership two months ago, but total losses to investors are expected to be considerably higher.

Castor's bank lenders include Crédit Suisse, which has an unsecured exposure of about C$100m, Paribas and Berliner Handels und Frankfurter Bank. The biggest creditor is Chrysler Canada's pension fund, with an exposure of more than C$200m. A number of secured creditors have begun proceedings to seize their collateral.

Castor was set up in the mid-1970s to invest European funds in North American property. The full extent of its operations is far from clear, and is expected to take several years to untangle.

A lawyer involved in the proceedings said Castor made a "multitude of loans" to various property developers, including Imry Merchant Developers in the UK. It is also known that Castor lent money to York-Hannover Developments, a group controlled by German-Canadian property financier Mr Karsten von Wersebe.

York-Hannover is at the centre of allegations in Switzerland that Rothschild Bank of Zurich, the associate of UK merchant bank NM Rothschild, contravened banking rules by advancing more than 20 per cent of its capital in unsecured loans to a single customer.

Castor also has connections with other companies in Canada, the UK, Ireland, the Netherlands, Germany, Switzerland, Cyprus and Curacao.

One of the Cyprus-based subsidiaries, CH International (Overseas), is currently being wound up.

Mr Stolzenberg, who lives in London, appeared with his lawyer at a creditors' meeting in Montreal last month.

He has also had a brief, informal meeting with the bankruptcy trustee, and has indicated a willingness to be interviewed more thoroughly on Castor's affairs.

Arjo Wiggins cuts dividend by 19%

By Paul Abrahams in London

ARJO Wiggins Appleton, the troubled Franco-British paper group, unexpectedly cut its dividend yesterday by 19 per cent from 3.3p per share to 2.65p. The group's shares fell 29 per cent from 182p to 129p.

Profits before tax for the first six months to June 30, fell 26 per cent from £135.5m to £99.1m ($195.2m), although they were in line with expectations.

Earnings per share fell from 10.7p to 7.5p.

Operating profits were £112.4m against £146.1m a year ago as the company struggled in difficult trading conditions. Group turnover was £1.30bn compared with £1.26bn for the same period last year.

Mr Cob Stenham, chairman, said the results were far better than those of its competitors. The fall in profits had been almost entirely attributable to the weak European market, he said.

Mr Tony Isaacs, finance director, said most of the problems were in the European carbonless paper and coated paper markets. Results in the carbonless sector remained poor, with capacity utilisation of only 85 per cent to 88 per cent.

Prices had fallen about 20 per cent over the past two years. The coated market was continuing to grow fast, but new capacity had come on stream, forcing operating rates down to about 85 per cent and prices down about 10 per cent.

The company was also hit by the dollar's fall which affected earnings from the US Appleton operations. The company lost about £3m for each 10 cents the dollar lost, he said.

Mr Stenham said the outlook was grey for the balance of the year and 1993. Gearing, which began the year at 13 per cent, would more than double by the end of 1992. The company is a third of the way through a $170m paper investment in the US.

The group was still looking for two British board members to replace Mr Henry Wendt, chairman of SmithKline Beecham, who resigned, and Mr Ian Kennedy who retired, said Mr Stenham. One replacement was likely to be British, while the other might be American or a non-French continental European.

Mr Stephen Walls, the former British chief executive, was replaced this summer by Mr Alain Soulas, formerly chief executive of Saint-Gobain's paper division.

Lex, Page 16; Market, Page 25

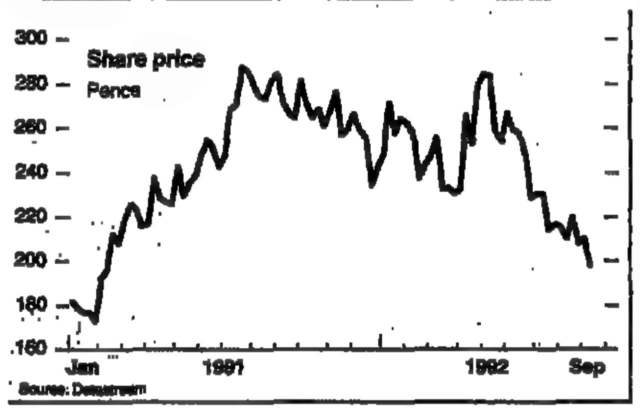
Paul Abrahams reports on strong reaction to paper group's move

Shareholders claim a lack of entente

Arjo Wiggins Appleton

Operating profit by region

£ million	1st half 1992	1st half 1991
France	50.0	66.5
UK	5.8	17.0
Other European countries	2.4	10.4
North America	53.5	51.9
Other	0.7	0.3
Total	112.4	146.1



British analysts and institutional shareholders reacted angrily to Arjo Wiggins Appleton's dividend cut yesterday.

Most complained they could not understand the reasons for the unexpected decision by the Franco-British paper group.

The move seems to represent a serious breakdown in understanding between St Louis, AWA's French minority shareholder, and its British counterparts.

It also demonstrates the different attitudes of French and Anglo-Saxon groups to shareholder value and management practice.

Mr Bernard Dumon, chairman of St Louis, the French group which owns 39 per cent of AWA, said he was surprised at the reaction of the London market.

"This is very simple," he said. "What concerned us was the fall in profits this year and last. There was no prospect of an improvement next year. If profits fall, then it's absolutely normal to cut the dividend. That is not unusual. It's not a French nor a British practice, but just good management."

Alain Soulas: chief executive

Mr Nicholas Worms, senior partner at Worms et Cie, the French financial group which owns 36 per cent of St Louis, said UK institutions had over-reacted to the cut.

He said the market should have appreciated the move as a sign the company was serious about getting to grips with its problems, although they were not as serious as other companies in the sector.

UK analysts were far from understanding, however. "The cut is a stupidity and a tragedy. There was just no need to do it," said one analyst.

"Financially the group is strong. The decision shows Arjo Wiggins has effectively become a subsidiary of a French group that does not have the interests of the majority shareholders at heart."

Another analyst complained: "The company is completely out of touch with its shareholders – apart from 39 per cent of them."

There were suggestions that a lower share price after the dividend cut might make it easier for St Louis to raise its stake.

Mr Dumon said St Louis had no plans to increase its shareholding for the time being. "There is nothing in the air or any studies to go above the 40 per cent limit set during the merger between the French and British companies."

Mr Worms said that if in a couple of years the market had been "completely idiotic" and the share price was too low, St Louis might then approach the other shareholders to buy them out.

However, he said St Louis was relatively too heavily invested in the paper industry and did not have spare cash to squander.

Mr Tony Isaacs, AWA finance director, said that given the expected fall in earnings for the full year, dividend cover would have dropped below the 2.0 to 2.5 times target set by the company if the dividend had been maintained.

The savings, he estimated, were about £13m ($25m). But analysts said such a sum was tiny compared with the £50m the company had spent on acquisitions and the £82m it was spending on capital investment.

Shares look likely to remain weak until the company can regain the City of London's confidence. But analysts believed that could take years.

Meanwhile, Mr Worms insisted the move would strengthen the company. "We have to be realistic," he said.

"If we want the company to be in a position to take advantage of the market and make a £100m or £200m investment, then it's essential to have a strong balance sheet. The dividend cut helps us achieve that."

Scottish banking group rescued

By Robert Peston in London

AN emergency rescue of a small Scottish private banking group, Adam & Company, has been organised over the past three weeks after it lost £21m on foreign currency futures.

Adam's biggest shareholders include the wealthy Schlumberger family and Standard Life, the Scottish insurance company.

The losses were made by the three employees of Adam's London treasury dealing department, which trades in foreign currency and short-term securities. All three have been suspended pending the outcome of an investigation by a firm of accountants, Price Waterhouse.

Mr James Laurenson, Adam's managing director, said the dealings had been "unauthorised". He said the treasury team began to make the loss-making deals in April, but that senior management only became aware of them three weeks ago.

He said the deals came to light because losses on them had become so big that "they could not be hidden". All the dealing positions have now been closed.

However, the bank's capital – which was £7.1m ($14m) at the end of June – was wiped out by the losses. But the bank has been able to keep trading because it has persuaded one of its shareholders to inject £21m of new capital into it.

The shareholder, which is buying £21m of new preference shares in Adam's banking subsidiary, has asked for its identity to remain secret. The preference shares pay no coupon for 10 years. It is understood neither the Schlumberger family nor Standard Life, the Scottish insurance company, made the capital injection.

Mr Laurenson said the bank was "incredibly" fortunate to have such a supportive shareholder. He believes the bank has emerged stronger than before, because of the terms of the injection and because of support from the Royal Bank of Scotland, which has provided committed credit lines to the bank.

Adam disclosed yesterday it had incurred a pre-tax loss of £5m in the year to June 30, compared with a profit in the previous year of £869,000. The results included £6.58m of the £21m foreign currency loss. Adam believes only £6.58m had in fact been incurred by June 30.

Mr Laurenson said without the foreign currency loss "profits would have almost doubled".

Fried. Krupp and Hoesch tackle fresh merger hurdle

By David Waller in Frankfurt

FRIED. Krupp and Hoesch, the two large Ruhr-based steel and engineering groups, yesterday vowed to press ahead with practical steps towards a merger in spite of a court ruling which has created a last-minute legal obstacle to the long-planned fusion of the two groups.

The two companies, which have spent most of this year successfully clearing one legal hurdle after another in the way of a merger, announced yesterday that a Dortmund court had refused to register the application for the merger, as required under German company law for the transaction to take final effect.

This decision – which follows a legal challenge to the merger launched by three individual shareholders in Hoesch – was dismissed by the companies as a legal technicality.

They said they would appeal against the ruling as soon as possible and proceed with all the organisational preparations for a merger.

In spite of the companies' insistence that the judgment would not lead to a serious delay in the practical implementation of the merger, it is inevitable that plans for the listing of the merged company on the German stock-exchange will be held up.

The original plan was to seek a listing this month or next, but it now looks likely the flotation will be postponed until later this year.

The basis of the Dortmund court's ruling is that it does not have the competence to evaluate the legal basis of the claims lodged by the three shareholders, Mr Henry-August-Robert Nold of Darmstadt, Mr Hans-Gerhard Haas of Dortmund, both private investors, and Mr Hans Klüting, a lawyer based in Dortmund who spent 38 years working at Hoesch.

A date for a hearing in the Dortmund regional court has been set for December 18.

Their concerns are thought to focus on the treatment of minority shareholders under the terms of the merger agreement, although Mr Klüting has complained that the Hoesch name will not be given enough prominence after the merger. Technically, the merged company will be called "Fried. Krupp AG Hoesch-Krupp".

Hoesch shareholders voted 99.7 per cent in favour of the merger at the annual meeting in July.

BHP takes control of Foster's

By Bruce Jacques in Sydney

BHP, Australia's biggest company, is taking effective control of Foster's Brewing, the troubled Australian-based international brewer, in a deal worth about A$1.5bn (US$1.07bn).

BHP announced yesterday it was buying 32 per cent of Foster's, plus options, from the receivers of International Brewing Holdings (IBH), the private group controlled by Mr John Elliott, the former Foster's chief.

BHP has also offered to buy a further 5 per cent of Foster's capital from Citibank, which has also placed part of IBH in receivership.

BHP underlined its influence by placing its nominees in four out of the 12 seats on the Foster's board, following Monday's resignation of Mr Elliott and his associate, Mr Ken Biggins. BHP's move came as Foster's announced it had plunged to net losses of A$950.8m for the year to June and a two-for-five rights issue to raise A$1bn.

The losses followed asset write-downs of A$1.19bn which disguised a strong performance from the company's breweries, particularly in the UK.

BHP's ascendancy at Foster's has been expected since June 2 when it sent receivers into the IBH group.

Mr John Prescott, BHP managing director, said last night his company was comfortable with a long-term Foster's investment. BHP's exposure to Foster's stands at just under A$2.5bn or just over 10 per cent of the brewer's total assets.

The receivers of IBH had been attempting to find alternative buyers for the company's Foster's stake since mid-August after BHP made an offer for the parcel, worth A$2.39 a share.

That price, which involves debt forgiveness, equates to a cash price of about A$2 a share. It is higher than the A$1.10-a-share price on the Foster's scrip issue announced yesterday.

The issue will be fully underwritten by Potter Warburg, the Australian investment bank. BHP says it will take up its entitlement and act as a sub-underwriter.

Foster's shares fell 13 cents yesterday to a year low of A$1.46 on the Australian stock exchanges.

It said it expected dividends would total 6 cents a share out of profits earned in the year to June 30 1993.

Results, Page 20

Skandia sells US-based compensation insurer

By Sara Webb in Stockholm

SKANDIA, the Swedish insurance group, yesterday announced the sale of Great States Financial Corporation, a specialty workers' compensation insurer licensed in California and Arizona, to FHP International Corporation of the US.

The Swedish group said the sale reflects its decision to reduce its risk exposure in the US, and follows plans to spin off part of its US reinsurance business.

Skandia said the sale would provide a profit after tax of about SKr35m ($6.4m), although it said exact price details for the deal were not being made public.

Great States Financial Corporation was set up by Skandia in 1989 and has annual premium income of about SKr200m, which represents a relatively small proportion of Skandia's total US operations.

Total premium income from the US amounts to about SKr6bn, including reinsurance, direct insurance and international life insurance business, Skandia said.

FHP International Corporation is a publicly-listed company which specialises in health care and sickness insurance.

The company said the deal with Skandia would enable it to issue its own workers' compensation policies in California and Arizona, rather than arranging for another insurance company to issue such policies.

Earlier this year, Skandia announced plans to concentrate on its core businesses of direct non-life insurance and life assurance for individuals and small or medium-sized companies.

In July, Skandia registered an initial public offering (IPO) of 30 per cent of the shares in Skandia America, its US subsidiary which includes its reinsurance operations.

Skandia said it plans to go ahead with the IPO, but added that a date has not yet been fixed.

Comparex lifts turnover by 3% but stays gloomy about full year

By Alan Cane in London

COMPAREX, the mainframe computer subsidiary of the German chemicals giant BASF, managed modest growth in the first half of the year, in spite of deteriorating market conditions.

Mr Rolf Brillinger, Comparex CEO, said that turnover rose 3 per cent to reach DM536m ($380.10m), compared with DM522m in the same period last year.

The company does not disclose half-yearly profit figures, but it is thought to have made moderate profits, in contrast to other European-owned mainframe manufacturers, which have been reporting heavy losses.

Mr Brillinger was pessimistic about the outturn for the whole year, citing economic weakness, lack of capital investment and fiercer competition.

He also pointed out that the computer boom in Germany following unification had been short lived and a backlog of demand for Comparex's new high-end machines was now satisfied.

The company markets mainframe computers which are functionally identical to those made by International Business Machines, the US-owned market leader. Comparex's mainframes are manufactured by Hitachi of Japan.

The market for mainframes computers is stagnating as customers seek cheaper solutions based on personal computers and work-stations. Comparex, however, also markets computer peripherals and is seeking to increase the proportion of its revenues derived from computing services. In the half year, turnover from services came to DM105m or 20 per cent of total revenues.

Simint advances slightly to L17.48bn

By Haig Simonian in Milan

SIMINT, the Italian clothing group partly owned by Mr Giorgio Armani, reported virtually unchanged net group profits of L17.48bn ($14.83m) for the year to April 30 against L17.23bn the previous year.

The group, which is pushing ahead with an ambitious expansion drive in the US by opening a new chain of casual clothing stores under the Armani Exchange (A/X) brand name, raised sales by 6.4 per cent to L352.9bn. The increase stemmed from a mixture of early receipts from the US initiative and higher sales in European markets.

Plans are afoot to expand the A/X venture to Europe next year, but no details of the store openings or locations have yet emerged.

Simint manufactures casual wear for the Armani group, as well as producing casual and childrens' clothing for a number of other well-known Italian designers and manufacturing for its own branded subsidiaries.

The dividend for the company's shares, which earlier this year started trading in the form of American Depository Receipts in the US, remains unchanged at L150 a share for both ordinary and preference stock.

Profits before tax showed a more substantial increase than at the net level, with a 13.2 per cent rise to L23.06bn from L20.36bn the previous year.

ING seeks seat on board of BBL

THE Netherlands banking and insurance group Internationale Nederlanden Groep (ING) said it is seeking board representation at its takeover target Banque Bruxelles Lambert (BBL), possibly through a vote at today's extraordinary shareholders' meeting of the Belgium bank, Reuter reports from Amsterdam.

ING said yesterday that it "has urged BBL's chairman that it should be directly represented on the bank's board".

This would help it create a co-operation pact with BBL on banking and insurance.

ING said last week it planned to offer at most Bf3,600 ($117) a share in a friendly takeover bid for Belgium's second largest bank. ING, which already has an indirect 10.03 per cent stake in BBL, will make a final decision on the bid by mid-October.

A seat on the BBL board would give the Dutch group additional muscle to achieve this goal.

But analysts doubted a seat for ING would tip the balance of power on the 27-member board.

Kingfisher in front at halfway

By John Thornhill in London

KINGFISHER, one of the UK's biggest retailing groups, reported higher than expected interim profits of £64.9m ($122.8m), representing a 4 per cent gain before tax and exceptional items.

But the headline figure disguised a 10 per cent fall at the pre-interest level as profits at the B&Q DIY chain were eroded by a fierce discounting war. Strong cash generation reversed the company's interest position yielding a £400,000 contribution against a £9.1m charge.

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No plans for an M&A takeover

Rumours of a power struggle between Deutsche Bank and Morgan Grenfell are unfounded, Ronaldo Schmitz tells **David Waller**

Mr John Craven, chairman of Morgan Grenfell, the London-based merchant bank bought by Deutsche Bank in January 1990, can rest assured: Ronaldo Schmitz, head of corporate finance at Deutsche and chief of its expanding North American operations, is not trying to wrest control of the UK merchant banks's mergers and acquisitions activities.

"It is not true," Mr Schmitz says, rejecting local press reports that he and Mr Craven are engaged in a power struggle in the boardroom of Germany's biggest bank. The rumours have been lent credence by the fact that Mr Schmitz's team – rather than Morgan Grenfell – has advised on a number of recent prominent mergers and acquisitions in Germany, including the DM1.45bn ($1.02bn) acquisition of the non-paper businesses of Feldmühle Nobel by the Metallgesellschaft mining and engineering group last year.

"There may be other cases in the future where due to specific client circumstances, the bank does the advisory work," Mr Schmitz concedes, "but this is not to imply that there is competition between my department and Morgan Grenfell. M & A is Morgan Grenfell's field, and if we do the odd transaction here and there, that does not mean that we are making specific inroads into Morgan Grenfell's domain."

Moreover, he says, a fusion of Morgan Grenfell's M & A activities with those of Deutsche would be counterproductive: "Given the size differential, Morgan Grenfell would eventually be crushed, its pure M & A culture would be contaminated."

Mr Schmitz and Mr Craven have much in common. They are about the same age (Schmitz is 54 next month, Craven 52, also next month) and both joined the bank in 1990. Schmitz arrived after 23 years at BASF, the large German chemicals company, where he was finance director from 1984. They are the the only two of Deutsche's 13-strong main board who have not spent their entire working lives at the bank.

Ronaldo Schmitz: a fusion of Morgan Grenfell's M&A activities with Deutsche's would be counter-productive

The Brazilian-born Mr Schmitz can also claim to be the only board member to have had experience of being a bank's corporate customer. Highly regarded in the international financial community, he left BASF only after losing out in the race to succeed Mr Hans Albers as chief executive.

Given his background, Mr Schmitz is well-placed to comment on the often controversial relations between the Deutsche Bank and German industry.

A network of large industrial holdings (notably the 28 per cent direct stake in Daimler Benz, Germany's largest industrial group), combined with the seats taken by Deutsche Bank directors on the supervisory boards of dozens of big companies, often gives the impression that the bank tells German industry what to do, rather than the other way round.

"If the number of supervisory board memberships we have relays the picture of a very significant power being wielded by the Deutsche Bank, it is wrong," Mr Schmitz says. "Even the treasurers of very small companies give us a very hard time. If you look at the companies we have a stake in, and how they behave when seeking a bank service, they play us off against our competitors whether or not we are on the board. It would be short-sighted or even foolish to try to gain business via our board members.

"As for the stakes themselves, many were acquired decades ago as a result of underwriting exercises – rather than as the result of any conscious investment decisions. The result is that the bank is close to a number of industries and in order to protect its investments it has to understand the companies involved. This adds a lot of value and intelligence to what we do."

On commercial grounds, Mr Schmitz thinks that the industrial holdings should be sold, as the proceeds could be better invested elsewhere. However he says that in practice this is impossible, for tax reasons.

The extensive cross-holdings often serve to protect German companies from the threat of takeover, a threat further reduced by voting restrictions which curb shareholders' influence over the companies in which they have stakes. A good example is the Continental tyre company, where Deutsche and Morgan Grenfell have played a controversial role in preventing Pirelli exercising its full voting rights.

Mr Schmitz believes that the best defence for company management – in Germany as elsewhere – is "aggressive management of the business combined with an open information policy". But he says that Deutsche will not abandon its own shareholder voting restrictions until Germany has international standards of disclosure and takeover rules.

If the bank cannot wash its hands of its corporate investments, it can participate in the process of disintermediation, which in Germany is slowly leading to a reduction of German companies' traditional dependence on bank finance.

Mr Schmitz points to the bank's central role in the founding of the German commercial paper market last year. This market has grown rapidly to become the fourth largest in Europe, with the total value of programmes likely to rise to DM50bn by the end of the year.

As head of the 274-person strong corporate finance department, Mr Schmitz has twin priorities. One is to develop the bank's financial structuring activities – "using our financial engineering skills as opposed to marketing commodity capital market products, an area which is becoming increasingly competitive day by day". The other is to develop the bank's equity business across the whole of Europe: "Here in Germany we are an equities powerhouse, but not outside Germany, and this has to change."

His other main management responsibility is North America, where the bank employs more than 1,000 people and has tripled its assets to $14bn since 1990. Here, he says, "there have never been better opportunities for foreign banks than at present . . . we have a strong balance sheet and so we can say that we are ready to lend – a rare commodity in North America these days, so it opens doors for us. But we are hoping to do far more than plain vanilla lending".

The change from industry to banking has not been traumatic, he says. The people are equally dedicated, the management issues similar.

The big difference is, of course, working with money rather than chemicals. "Chemicals smell, money doesn't," he quips.

Shares in Amdahl plunge on loss warning

By Louise Kehoe
in San Francisco

AMDAHL'S stock price plunged yesterday after the computer manufacturer warned that it expects to report an operating loss for the current third quarter.

Amdahl, which manufactures IBM-compatible mainframe computers, said there had been an unexpected fall in demand for its latest models.

The company's stock lost one third of its value to trade at around $10 at midday, down from a Monday close of $15. Concerns about the outlook for mainframe computer sales also dragged IBM's share price down to $86¼ from $88¾.

Amdahl expects third-quarter losses of 10 cents to 20 cents per share, but notes that because a large number of shipments typically occur late in the quarter, it is not possible to give a precise forecast.

The company anticipates that revenues will fall below the second-quarter level of $693m, when Amdahl benefited from strong demand for mainframe products introduced earlier in the year.

"We are witnessing a deferral of customer buying decisions because of tough economic times," said Mr Joseph Zemke, president and chief executive.

"Although some improvement in revenues and margins is expected to return us to profitability in the fourth quarter, we do not anticipate substantial growth until these economic fundamentals change."

Thai bank in takeover talks

FIRST Bangkok City Bank has approached Wing On Bank, the Hong Kong retail bank, with an expression of interest in a friendly takeover, Reuter reports from Bangkok. First Bangkok City told the Stock Exchange of Thailand it has appointed financial advisers to help negotiate with Wing On's main shareholders.

Bloomberg to tune radio listeners into stock prices

Patrick Harverson examines the rapid expansion of a US financial news and information group

The day after Mr Michael Bloomberg paid $13.5m for WNEW AM, one of New York's most famous music radio stations, there was no shortage of people – from the security guard at his Park Avenue office to the Korean newsagent near his home – asking him for a job.

"Everybody, it seems, wants to be a disc jockey," Mr Bloomberg said resignedly after the acquisition was announced.

Disc jockeys, however, do not figure in the station's future. Sinatra will be replaced by stock prices. WNEW will become WBBR (Bloomberg Business Radio), and a fast-growing financial news and data company, Bloomberg Financial Markets, will have taken another step forward.

Mr Bloomberg's journey began in 1981 when he was fired by Wall Street securities house Salomon Brothers over differences with the management – he kept telling them how to do their job.

The day after he left Salomon, he began his search on Wall Street for someone to back his company, which would supply dealers and investors with electronic data on financial markets. The only firm interested was Merrill Lynch, which took a 30 per cent stake in the tiny venture.

Today, Merrill's investment has paid off handsomely.

More than 20,000 customers around the world have Bloomberg's terminals on their desks. They cost $1,100 a month to rent, which brings in annual revenues of $284m.

The growth rate of new rentals has never been higher, with customers attracted by the system's easy-to-use analytical capabilities and its reputation for service. A year ago Bloomberg was renting 325 new terminals a month, today it rents 625 a month.

Apart from its terminals, which carry a huge range of market prices, statistical data and analytics, Bloomberg runs a financial newswire service and it publishes specialist newsletters and a glossy magazine for its customers.

Despite an impressive growth record, Bloomberg remains one of the smaller players in the $4.5bn electronic information business.

Reuters dominates the market with more than 200,000 terminals. Second is Telerate, which is owned by the Dow Jones company and has about 90,000 terminals, and third biggest is Citicorp-owned Quotron, with about 65,000 terminals. In the newswire business,

Michael Bloomberg: 'We are a one product company'

Bloomberg not only has to contend with Reuters and Dow Jones, but also Knight-Ridder.

Seeking to stretch the technological boundaries, Bloomberg plans later this year to provide its customers with an audio and video capacity on their terminals. Users will be able to hear the news, interviews and speeches of the day direct from their screens, accompanied by static pictures of relevant material.

Sitting in his Park Avenue office surrounded by framed profiles from the pages of US newspapers and magazines, Mr Bloomberg displayed obvious pride in his company's achievements. Yet despite his forays into news journalism, publishing and now broadcasting, he insists the terminals remain the most important part of the Bloomberg machine.

"The radio station is a natural extension of our business," says Mr Bloomberg. "It is designed to enhance the reputation of our news product, which is only available over our terminals. It all fits together. "In the end, what drives this company is renting terminals. That's the way we make a living. The magazine helps that, the radio station will help that." Never one to shy from loudly criticising his competitors, Mr Bloomberg argues that many of the problems they have encountered – Quotron has been a huge drain on the resources of its parent, Citicorp, while Telerate has struggled to keep its customers in the face of heightened competition – can be traced to the fact that the parent companies have lost sight of what they are selling.

He says: "We are a one product company. Take a look at Dow Jones, they are a one product company, and the product is the Wall Street Journal.

"They just either didn't realise it, or maybe realised it and made a mistake, but Telerate never helped the sales of the Journal – that's the cash cow. In our case the radio station and magazine are designed to help sell our product."

Bloomberg's rivals have not stood idly by watching the new upstart steal their business. Reuters launched its Decision 2000 analytics package last year, Telerate has won some plaudits with its new Matrix system, and EJV, a joint venture between six big Wall Street securities houses, will soon be selling its own product, UniVu.

With its open architecture, UniVu can take data and analytics from any number of sources, striking at the heart of Bloomberg's biggest weakness – the fact that because it is a closed system, customers can only use the calculations and formulas for analytics provided by Bloomberg. To use anything else, they have to turn to a different terminal.

This is a source of frustration to many users, who increasingly want everything housed in one terminal.

Ms Patricia Zlotin, an investment manager with Massachusetts Financial Services in Boston says: "We're looking for something that can interact and be combined with other systems. The stand-alone systems will lose market share as space on desks becomes more of a premium."

Mr Bloomberg, however, confidently dismisses criticisms that his machines are inflexible. "We are close to completing a system that will allow anyone to run their analytics on our system using our data, our calculation libraries, our communication system ... that is the openness that the users really want."

Continental Can bought by former president

By Martin Dickson
in New York

MR DONALD Bainton, who resigned as president of Continental Can company nine years ago after a disagreement over the company's strategy, is getting belated revenge by buying back the name of the largely dismembered group from its current owner, the diversified Pieter Kiewit group.

Mr Bainton will use Continental Can as the new name for Viatech, a packaging company with significant European interests which he has built up since the mid-1980s.

He also announced that Viatech, which is currently quoted on the American Stock Exchange, would seek a listing under its new name on the larger New York Stock Exchange.

The company has also signed an agreement to raise from 50 per cent to 100 per cent its stake in Plastic Containers, a joint venture with Mexico's Zapata packaging family.

Plastic Containers is a vehicle used in 1991 for the $153m purchase of Continental Plastic Containers, a US company which is the last remaining packaging unit of the old Continental Can company.

Mr Bainton, 61, says he is keen to build up Continental into a much larger packaging company by making further acquisitions.

In 1984 – a year after Mr Bainton resigned from Continental Can – the company was sold to Peter Kiewit, which has since disposed of many of the company's subsidiaries.

After leaving Continental Can, Mr Bainton joined Viatech, an engineering company in which his brother had a significant interest, and moved it into packaging through the acquisition of Germany's Dixie Union Verpackingen, Spain's Onena Bolsas de Papel, and France's Ferembal. Mr Bainton and his brother hold 42 per cent of the stock of Viatech.

Data General in disk drive push

By Louise Kehoe
in San Francisco

DATA General aims to seize a leadership role in the emerging market for disk arrays, a new type of mass data storage system that is gaining popularity as a lower cost alternative to high-capacity computer disk drives in corporate data centres.

Yesterday, the minicomputer manufacturer, which is struggling to achieve consistent profitability after more than three years of heavy losses, launched a range of disk array products designed to work with competitors' computer systems.

Data General has been selling disk array systems with its own open-systems minicomputers or "servers" for the past 18 months. Starting in November, the company will offer similar disk systems for use with IBM's RS/6000 systems and Sun Microsystems' Sparc Servers. These will be followed by disk systems for use with Hewlett-Packard, Unisys and ICL server computers.

The move represents a bid to build revenues by exploiting its lead in disk array technology beyond the company's own relatively limited base of computer customers.

Disk array systems, also known as Redundant Arrays of Inexpensive Disk (Raid) systems, are made up of an array of small disk drives of the type commonly seen in personal computers. They are capable of storing vast quantities of data at a fraction of the cost of large disk systems.

A significant advantage of Raid systems is reliability. Employing sophisticated duplication techniques, Raid systems can ensure that data is not lost even if part of the array fails. Raid is upsetting the status quo in data storage technology just as microprocessors have brought wrenching changes to computing.

"In much the same way that PCs and workstations have brought inexpensive compute-intensive applications to the user, this new technology should bring data-intensive applications, such as video, voice, imaging and multi-media to the user as well," added Mr Thomas West, senior vice president, who will head a new business unit at Data General targeting the disk array market.

Xerox unveils full-colour office copier

By Martin Dickson
in New York

XEROX, the US document-processing company, yesterday unveiled eight new products, including a machine which it claimed enabled businesses to print full-colour documents in their offices, rather than relying on outside print shops.

Over the past two years Xerox has moved into the emerging market for full-colour printing. It uses digital technology, rather than the traditional light-lens method.

Xerox said its 4700 printer was the first digital laser printer connected to an office computer network, and could be used to produce full-colour, assembled documents.

Magna International's profits triple in quarter

By Robert Gibbens
in Montreal

MAGNA International, Canada's biggest independent car parts maker, tripled fourth quarter net profits and expects to benefit from a 5 to 10 per cent rise in north American car production in fiscal 1993.

Profits for the fourth quarter to July 31 were C$31.3m (US$25.8m), or 82 cents a share, up from $11.6m, or 41 cents a share, a year earlier, on sales of $625m, up 16 per cent.

Two years after a brush with failure, the restructured Magna reported a profit of $98m, or $2.91 a share for the full year, up sixfold from $16.5m, or 59 cents a share a year earlier. Revenues were $2.4bn, up 17 per cent.

Magna attributed the strength in sales to rising north American vehicle output and growth in the company's average production content. Magna also operates several European plants.

Profits gained from higher plant operating rates and lower interest costs. Debt has been halved to $274m, including a $165m convertible debenture.

Magna plans to apply for a New York Stock Exchange quotation. It is paying a 10 cents a share dividend on the A and B stock on October 16.

● Lac Minerals, a Canadian gold producer, is buying 52 per cent of the high grade Lisheen zinc-lead property near Kilkenny, in Ireland, from Chevron Corp for US$70m.

Wharf invests in central China

One of Hong Kong's corporations is shaking off its sleepy image and going where few have gone before, writes Simon Davies

Sir Yue-Kong Pao, the Hong Kong businessman, *spent more than 40 years* rebuilding the corporate empire he lost when he fled from the Communist takeover of Shanghai.

Under the helm of his son-in-law *Mr Peter Woo*, another Shanghai refugee, his empire is now returning to the city at the mouth of the river Yangtze with a pocket full of hard currency.

The news that one of Hong Kong's leading corporations is pouring money into mainland China is no longer a surprise but the fact that it is Wharf (Holdings) that is doing so is *remarkable*.

Wharf has for some time been the sleeper among the colony's four big "hongs". Its corporate image has been associated with assets such as the Star ferry, tramways and its ageing low-rise skyline properties in Kowloon, rather than Hong Kong island's gleaming skyscrapers and frenetic trading businesses.

Even when Wharf made moves to shake off this drowsy image, such as its recent HK$1.5bn (US$194.86m) push into cable television, it had little success. Its consortium crumbled in the face of Hutchison *Whampoa's push into* regional satellite television and a confused government broadcasting policy.

Mr Woo took over the chairmanship of the group in 1986, *when Sir Y.K. divided his* empire among his son-in-laws, but he was regarded inevitably as only a puppet for the great businessman.

Colleagues say he has a *hands-on approach to management*, but the presence of the conservative patriarch looking over his shoulder was a compelling influence.

Since Sir Y.K.'s death last September, there is *no question* of who is boss, and Wharf's corporate slogan, "Quiet dedication is our philosophy", is beginning to look decidedly out of place.

Mr Woo feels it is the responsibility of Hong Kong's leading corporations to stake out the colony's future after China becomes its sovereign power on July 1 1997.

Mr Peter Woo: expects to experience 'economic hiccups'

"When I went to Beijing, my discussion with the leadership was that to go to the next level of development, the *focus* and emphasis must be on how to mobilise the resources of central China. To do that, you need transportation and energy," said Mr Woo; his *company is going to provide* it.

He admits that the reputation of his father-in-law helped get him access to the very top, in this case Premier Li Peng. *Having gained approval for its* plans for central China. Wharf is moving rapidly.

The conglomerate is looking to Wuhan, the central Chinese city which lies at the intersec*tion of the country's main east*-west axis, the Yangtze river, and the main north-south axis of the Beijing-Guangzhou (Canton) railway. This location makes it a logical third point of a *Hong Kong-Shanghai-Wuhan* triangle, which will be the main focus for Wharf's resources.

Wharf is already renovating a hotel on the waterfront in Wuhan and is working on a power project in the city. It also plans to set up a transport hub there, with a river port, airport and an upgraded railway station providing outlets for a container port which will process the resources of the surrounding provinces.

A high-speed railway will link this hub with Hong Kong's container terminal, where Wharf is the leading shareholder of the colony's second largest terminal operator.

Wharf has also signed letters of intent for big property and infrastructural projects in order to build a presence in Shanghai.

It is an alluring vision. Hong Kong was the catalyst in the expansion of Guangdong province, arguably the fastest growing economy in the world over the past decade. *Other property developers* are cashing in on this by building cheap flats, but Wharf aims to spearhead the push further north.

One group of individuals which has so far remained unimpressed by this vision is the Hong Kong brokerage community. "Wharf is a solid property story which has been clouded by infrastructure," was the reaction of one analyst.

However, Morgan Stanley, the US investment bank, estimates that between 1992 and 1995 property investment earnings will increase 68 per cent to HK$2.5bn, representing 69 per cent of pre-tax profit. With that level of recurrent income, Wharf could be forgiven for looking for some higher-reward projects to spice up the longer-term outlook.

Cable television has been one diversification, which has provided little return apart from uncertainty; projects in Wuhan and Shanghai should prove more attractive – if an equally long-term use of Wharf's resource base – since it is sticking to areas it already understands: property and infrastructure.

Mr Woo said Wharf is looking at large-scale projects in which it will form consortia to limit its exposure and bring in outside expertise. "The main role we would hope to play is as a useful and positive catalyst," he said, suggesting that Hong Kong and other multinational companies would be offered participation.

The group's Chinese exposure will be limited to between 10 and 20 per cent of assets, *while Mr Woo said the* company would not exceed HK$1 of debt to every HK$2 of equity.

Wharf has an estimated net asset value of close to HK$50bn. This is an asset base *offering significant redevelop*ment potential, since the closure of Kai Tak airport in 1997 will allow increased height limits for buildings in Kowloon, where Wharf is the main land*lord. The company can there*fore afford to take big bets.

Mr Woo has already experienced big risks, when he left Shanghai in the 1940s. "When you look at the fundamental *economic trend [in China], it is* an attractive slope up. Along that slope there will be economic hiccups, but you just have to plan for that," Mr Woo said.

Foster's deficit disguises strong breweries side

By Bruce Jacques in Sydney

FOSTER'S Brewing, the Australian beer company, yesterday reported a fall into net loss for the year to June. However, the result, following A$1.19bn (US$872m) asset write-downs, disguised a strong performance by the company's breweries.

The group's directors announced it had turned net profits of A$234.4m into losses of A$950.8m for the 12 months, on a fall in sales to A$10.37bn from A$10.63bn. The final dividend is being omitted.

The result followed abnormal losses of A$1.31bn, mainly reflecting write-downs of A$1.19bn affecting the company's pastoral, finance and investment operations.

But brewing profits before interest and tax rose 13 per cent, with UK-based Courage emerging as the company's strongest performer. Gross brewing profits rose to $551.9m *from* A$488.2m, with Courage lifting its contribution to A$242.4m from A$167.9m.

This comfortably exceeded earnings from the Australian-based Carlton and United Breweries, down to A$189.5m from A$231.8m, with Canadian-based Molson Breweries up to A$119.9m from A$88.5m.

Directors said Courage had consolidated its position as the UK's second largest brewer after the 1991 purchase of Grand Metropolitan's brewing business.

"Trading conditions in the UK continue to be depressed by the recession. However, Courage is determined to withstand market pressures and is now structured for business retention and growth in both on and off-trade sectors," the directors said. "In continental Europe, Courage's business continues to flourish, led by a comprehensive marketing approach to Foster's which had a 14 per cent increase over 1991 volumes."

Almost A$840m of the write-downs announced yesterday came in Foster's finance division, mainly reflecting its exposure to property markets. But another A$228m came from Inntrepreneur Estates, the company's pub joint venture in the UK with GrandMet.

The directors said Inntrepreneur, which operates about 7,000 pubs, had been hit by recent legislative changes requiring the *disposal* of a significant numbers of pubs.

The group has also been affected by falling beer consumption and a recession in property markets. The directors said a pub valuation in January this year had reduced values by an average of 3.2 per cent. Given an expected further decline in pub values, a A$228m provision against the value of Courage's investment in Inntrepreneur reflected the present and medium-term view of value, they said.

Grand Metropolitan, the UK food, drinks and retail group which is Foster's 50:50 partner in Inntrepreneur Estates, said that Foster's provisions brought its accounting treatment in line with UK standards. GrandMet said it did not need to make any new provisions against its stake.

Samsung buys brokerage stake

SAMSUNG, South Korea's largest conglomerate, is about to acquire a stake in Kukje Securities, the local brokerage, to give it a foothold in the securities business, Reuter reports from Seoul.

Mr Lee Kun-hee Samsung, chairman of Samsung and four group subsidiaries, will obtain a total of 19.8 per cent, or 1.98m shares, in Kukje Securities for an estimated Won68bn ($86m).

The group will sign the contract on obtaining government approval, Mr Lee said. A Kukje official said the signing was likely to be on Friday.

Further details were not immediately available.

INTERNATIONAL CAPITAL MARKETS

High-yielding sectors come under selling pressure

By Antonia Sharpe and Tracy Corrigan in London and Alan Friedman in New York

MONDAY'S gains following the Bundesbank's interest rate cut and the devaluation of the lira were retraced yesterday as high-yielding markets came under heavy selling pressure.

The sell-off in the markets perceived to be most vulnerable to devaluation, such as Italy, the UK and Sweden, came in spite of the results of

GOVERNMENT BONDS

two private polls commissioned by banks, which showed a narrow Yes majority for Sunday's French referendum on the Maastricht treaty.

■ ITALIAN bonds shed 1½ points as the lira came under renewed pressure, despite Sunday's 7 per cent devaluation. The market lost most of the gains recorded on Monday, in the wake of the Bundesbank's interest rate cut.

Far from being able to cut their own rates, as the Italian authorities had hoped, the Bank of Italy had to intervene in the foreign exchange market to support the lira. Fears that a second devaluation may be needed sparked a further crisis of confidence in the Italian bond market yesterday. "There were no buyers yesterday, and there will not be any at least until the end of the week," said one Italian bond trader.

Rumours, later proved false, that Mr Guiliano Amato, Italy's prime minister, was to resign, further unsettled the market. The Italian BTP future on Liffe ended at 92.02, down from 93.63.

■ UK GILT prices ended a point lower, after sterling came under renewed pressure. The weakness of the lira, and rumours of a devaluation of the Swedish krona fuelled fears over sterling. The short-sterling contract on Liffe ended at 89.15, discounting almost a full point rise in the base rate, as dealers speculated that a hike of as much as one percentage point could come by the end of the week.

Weak producer prices data did not restore spirits, though attention was focused on the foreign exchange market.

■ SWEDISH yields jumped in nervous trading on fears that the central bank would lose the battle with the foreign exchange market over the krona. Dealers said the market was looking for an early devaluation of the Swedish currency by up to 20 per cent.

Talk of a capital outflow of SKr40bn on Monday prompted rumours that the central bank would have to reverse Monday's cut in the marginal lending rate to 20 per cent from 75 per cent. Official currency flow figures are due today.

Dealers said that overnight money rates were more than 100 per cent and that one-month rates jumped from 17 per cent to 47 per cent. Three-month T-bills closed up 850 basis points at 27.5 per cent and 11-year bond yields were up 43 points at 11.23 per cent.

■ DUTCH bonds closed about 15 cents higher after erasing modest morning losses. The release of a deficit-cutting budget contained few surprises and did not affect trading.

The 8.25 per cent bond due June 2002 ended up 15 cents at 102.55 while its yield fell to 8.01 per cent from 8.04 per cent. The gap between 10-year Dutch and German yields fell further to 41 basis points from 43 earlier in the day.

■ GERMAN bonds overcame a slightly easier start, as the market consolidated Monday's gains and the Treuhandanstalt issued DM4bn of 10-year bonds to end steady to slightly up.

In the cash market, the benchmark 8 per cent Bunds due July 2002 rose 0.03 to 102.64 to yield 7.60 per cent, while the Liffe December Bund future traded at 90.21 late in the day after Monday's close of 90.16, in volume of 46,580 lots.

■ FRENCH bonds drifted for most of the day to end slightly lower. The Treasury announced it was seeking between FFr12 and FFr14bn at its forthcoming auction of new two- and five-year notes, slightly more than the market had expected.

The 8½ per cent OATs of 2003 closed down 0.14 at 98.92 to yield 8.65 per cent compared with 8.63 per cent, while the 8½ per cent OATs of 2023 fell 0.18 to 98.66 to yield 8.62 per cent. On the Matif, the September bond futures contract closed at 107.46, down 0.10 on volume of 135,650 lots.

■ US Treasury bonds suffered a double blow yesterday as profit-taking combined with a reassessment of the significance of Germany's interest rate cut to produce a sell-off that pushed the price of the benchmark 30-year Treasury issue nearly a full point lower.

By late afternoon the 7.250 per cent paper maturing in August 2022 had fallen by ⅞ of a point to 99⅛, to yield 7.309 per cent. Shorter-term maturities were less affected, although 10-year bonds were 13/32 lower at 99 31/32 to yield 6.370 per cent.

Ms Kathleen Camilli, chief economist at Maria Fiorini Ramirez, said Treasuries were under downward pressure because of the hedging of US corporate positions as well as outright selling by institutional investors in what appeared to be profit-taking in the wake of Monday's highs.

Mr David Hale, chief economist at Kemper Securities said there was also "creeping concern" in the bond market about the possible effects of a Clinton presidency. "Clinton's spending programmes are front-ended, while his plans to generate revenues would come later," Mr Hale said.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.2421	-	8.80	8.73	8.55
BELGIUM		8.750	06/02	100.3500	-1.100	8.69	8.85	8.99
CANADA *		8.500	04/02	107.0300	-1.250	7.46	7.29	7.38
DENMARK		9.000	11/00	97.9200	-0.300	9.37	9.52	9.63
FRANCE	BTAN	8.500	03/97	97.8828	-0.175	9.06	9.33	9.35
	OAT	8.500	11/02	98.7750	-0.135	8.67	8.85	8.96
GERMANY		8.000	07/02	102.6650	+0.010	7.60	7.78	7.95
ITALY		12.000	05/02	90.9500	-1.904	14.18†	14.30	13.79
JAPAN	No 119	4.800	06/99	100.2047	-	4.76	4.71	4.83
	No 145	5.500	03/02	104.1284	-0.130	4.86	4.84	5.05
NETHERLANDS		8.250	06/02	101.4700	+0.120	8.02	8.24	8.31
SPAIN		10.300	06/02	87.6500	-1.250	12.54	12.43	12.07
UK GILTS		10.000	11/96	100-08	-1 7/32	9.93	9.70	9.48
		9.750	08/00	103-04	-1 3/32	9.25	9.26	9.23
		9.000	10/08	100-25	-1 5/32	8.91	9.01	8.99
US TREASURY *		6.375	08/02	100-00	-14/32	6.37	6.61	6.58
		7.250	08/22	99-05	-21/32	7.31	7.42	7.38
ECU (French Govt)		8.500	03/02	95.5400	-0.380	9.22	9.40	9.33

London closing. *denotes New York closing. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

First Treuhand deal divides London and Frankfurt contracts

By Richard Waters

THE FIRST bond issue of the Treuhandanstalt, the agency charged with privatising former East German assets, yesterday forced a sharp divergence between the prices of Bund futures in Frankfurt and London.

At one point during the afternoon, the gap between the rival contracts reached more than three quarters of a point, with the London contract at 90.53 compared with the Frankfurt on 89.77.

The London International Financial Futures and Options Exchange had decided not to make the new Treuhand bonds deliverable into its Bund contracts which expire up to March 1992, making them less attractive for investors to hold.

The Deutsche Terminborse, on the other hand, last month ruled that the bonds would be deliverable into its March 1993 contract. The new Treuhand bonds will be the cheapest to deliver into the futures contract, helping to push down the price.

Yesterday's issue of DM4bn of bonds, expected to be followed today with an auction of a further DM6bn, was launched with a 7¾ per cent coupon and priced at 101, to give a yield about 13 basis points higher than 10-year bunds.

At that level, the bonds, which carry a full guarantee from the Federal government, were considered attractively priced by traders.

"If the unity fund is deliverable, then the Treuhand should also be," said one economist, adding that to include it would not undermine the quality of the Liffe contract.

Liffe said it was reviewing whether the bonds should be deliverable into its contracts from next June onwards.

Relaunch for postponed mortgage-backed issue

By Richard Waters

A RARE mortgage-backed Eurobond issue from a continental European borrower was relaunched yesterday, having been pulled last week due to the turmoil in Swedish financial markets.

Goldman Sachs relaunched the offer, by Osprey Mortgage Securities – a special purpose vehicle for a subsidiary of Skandinaviska Enskilda Banken – in the face of renewed pressure on Swedish markets.

However, the bank said that after discussions with the issuer, investors and the rating agencies it was confident the issue would not need to be delayed again, even if the markets suffered the same upheaval as last week.

The terms of the $372m offer have been amended only slightly, with a change of size in two of the three tranches of bonds. Also, CSFB was replaced by Morgan Stanley as a co-lead to the issue.

However, the spreads over US Treasuries offered on the bonds were squarely within the ranges indicated last week. The first tranche, for instance, was offered at a spread of 78.5 basis points, compared with an indicated range last week of 77-80 basis points.

The original decision to delay the issue had caused concern in some quarters, since it marked an unusual move to hold back an offer that had already been underwritten. However, Goldman said at the time that it merely intended to postpone the offer until the markets settled down.

● Trading in German Bund futures on the Deutsche Terminbörse (DTB) will start one hour earlier on Monday, the day after the French vote on the Maastricht treaty, AP-DJ reports from Frankfurt. Trading will begin at 7am local time on Bund futures, as well as for Bobl futures and options on Bund futures.

Repsol to delay 10% equity sale

By Tom Burns in Madrid

REPSOL, the Spanish state-owned oil, gas and chemicals group, is to delay a placing of some 10 per cent of its equity until next year to allow parliament to lift legal barriers to the deal.

The delay caused some surprise on the domestic markets where the placement, which will include an international tranche and would raise some Pta60bn ($625m), had been eagerly awaited.

The markets had understood that parliament would remove the mandatory majority state ownership of Repsol.

A draft bill was approved last July. But Repsol said yesterday the legislation would not be approved until December, delaying the placement until the first half of 1993.

Kingdom of Spain sets up $1.5bn seven-year offer

By Tracy Corrigan

THE Kingdom of Spain is taking bids from a number of investment banks for a seven-year Eurobond issue totalling at least $1.5bn, but has yet to award a mandate. The deal, expected to emerge this week, will add further supply to the dollar sector, which has already digested a $2bn offer-

INTERNATIONAL BONDS

ing of global bonds by the Province of Ontario, arranged by Goldman Sachs and Merrill Lynch.

The Ontario offering, launched on Monday just ahead of the German rate cut, suffered from its timing, according to some underwriters.

"When you have such a huge dislocation of markets, no one wants to make investment decisions," said one underwriter. In addition, the Japanese market was closed yesterday, and many bankers and investors were not at their desks on Monday.

However, the lead managers said that investor sentiment on the dollar, which at last appeared to have turned, spurred buying of the deal, especially in south-east Asia and Europe.

The five-year bonds were priced yesterday at 48 basis points above the comparable Treasury yield, the wider end of the indicated spread range. However, even at this level the pricing appeared rather aggressive to US investors. The US corporate bond market had to digest about $10bn of supply last week and investors are becoming rather choosy.

The spread on the Ontario offering widened to 50 basis points at one point. However, a weak US Treasury market allowed the spread to tighten back to 48 basis points.

Despite some resistance to the Ontario deal, Spain could meet a more enthusiastic welcome.

While Ontario has already borrowed heavily in the US and Eurobond market to meet its heavy funding programme of nearly C$10bn (US$8.10bn) this year, Spain has never issued in dollars, and should have some rarity value.

In the equity-linked market, Nestlé Holdings launched a $250m issue of seven-year bonds with equity warrants attached.

European equity-linked offerings have become a rarity recently, as few companies are keen to issue at current stock market levels. However, Nestlé is considered one of the most attractive stocks in the sector, having released good interim results on Friday.

Elsewhere, Citicorp launched a $40m two-tranche Eurobond issued by International Bonds Investments, which holds Venezuelan debt.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Province of Ontario(a)†	2bn	5.7	99.571	1997	0.275/0.225	Goldman Sachs/Merrill Lynch
Nestle Holdings Inc(b)◆†	250	3.625	100	1999	2¼/1½	CSFB
Osprey Mtg Securities(No.7)(c)†	83.9	4.875	99.42	1997	0.325	Goldman Sachs Intl
Osprey Mtg Securities(No.7)(d)†	89.8	5.25	99.39	1997	0.375	Goldman Sachs Intl
Osprey Mtg Securities(No.7)(e)†	100.7	5.75	99.38	1998	0.375	Goldman Sachs Intl
Osprey Mtg Securities(No.7)(f)‡†	108	(f)	99.90	1998	0.375	Goldman Sachs Intl
Intl Bonds Investments(g)†	20	4.45	100.50	1993	-	Citibank
Intl Bonds Investments(h)†	20.2	15.82	100.50	1993	-	Citibank

◆With equity warrants. ‡Floating rate note. †Final terms. a) Payable semi-annually. Non-callable. b) Exercise premium fixed at 9.8%. Non-callable. c) Tranche A1 of $362.4m issue. Payable quarterly. Non-callable. d) Tranche A2 of $362.4m issue. Payable quarterly. Non-callable. e) Tranche A3 of $362.4m issue. Payable quarterly. Non-callable. f) Tranche A4 of $362.4m issue. Coupon pays ⅛% above 3-month Libor and is payable quarterly. Non-callable. g) Tranche A of $40.2m issue. Payable semi-annually. Non-callable. h) Tranche B of $40.2m issue. Payable semi-annually. Non-callable.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on September 15

U.S. DOLLAR STRAIGHTS; OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; SWISS FRANC STRAIGHTS; CONVERTIBLE BONDS; YEN STRAIGHTS

Issue	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	108¼	109		4.50
ALBERTA PROVINCE 9 3/8 95	600	112¼	112¾	-⅛	5.06
COPENHAGEN TEL 8 5/8 96 LFr	600	98¼	99¼		9.28
WORLD BANK 8 96 LFr	1000	96½	97¼		9.07
[illegible]					

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	73	1
Other Fixed Interest	0	10	5
Commercial, Industrial	132	415	876
Financial & Property	105	242	453
Oil & Gas	13	28	44
Plantations	1	0	8
Mines	21	44	84
Others	57	20	38
Totals	330	832	1,509

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
115	Nil	22/10	2pm	1pm	Bibby	1pm	
5	Nil	5/10	1pm	1pm	¶Embassy Property	1pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. r Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of capitalisation. † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ◆ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ■ Units comprising 4 Ords. and 7 Zero Div. Prefs. and 4 Stepped Pref. shares. ◆ Units comprising 5 Ords. and 1 Warrant.

TRADITIONAL OPTIONS

- First Dealings Sept. 14
- Last Dealings Sept. 21
- Last Declarations Dec. 10
- For settlement Dec. 21

3-month call rate indications are also shown on this page.

Calls in Allied Leisure, Amstrad, BET, Burton, First Natl. Fin. Corp., Queens Moat Houses and Royal Insce. Puts in Kalon and Tiphook. Doubles in Trafalgar House and United Biscuits.

LIFFE EQUITY OPTIONS

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Brit Aero (*197)	180	30	40	40	15½	22	24
	200	20	30	32	26	34	37
	220	13	21	26	40	47	48
Barclays (*310)	280	33	45	53	1	6	12
	300	13	30	40	3	12	21
	330	1½	14	27	22	28	38
Blue Circle (*138)	130	14	22	26	1½	13	13
	140	4½	14	21	4	17	18
	160	1½	7	13	22	31	32
British Gas (*230)	220	12	17	23	1	7½	11
	240	1	7½	13	10	20	22
Dixons (*201)	200	7	22	28	4	14	18
	220	1	13	19	20	22	28
Utd. Biscuits (*270)	260	24	26	36	5½	11	15
	280	12	19	25	16	20	26
Unilever (*958)	950	34	62	81	16	27	32
	1000	16	32	55	46	51	56
[illegible]							

EURO FT-SE INDEX (*2368); FT-SE INDEX (*2368): [illegible]

PUTS								
Sep	½	½	½	½	1	6	16	48
Oct	6	8	15	18	27	38	57	82
Nov	8	11	18	25	35	52	70	95
Dec	12	18	25	32	45	60	80	105
Jun †	-	-	-	-	-	-	-	-

September 15 Total Contracts 33,278
Calls 17,834 Puts 15,444
FT-SE Index Calls 6,394 Puts 492
Euro FT-SE Calls 614 Puts 699
*Underlying security price. † Long dated expiry months.
Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

	p		p		p		p		p
■ INDUSTRIALS		Charter Cons.	40	Ladbroke	17	Sears	7	■ OILS	
Allied-Lyons	43	Comm Union	42	Legal & Gen	27	SmKl Bchm A	34	Aviva Pet	12
Amstrad	4	Courtaulds	33	Lex Service	18	TI	50	BP	16
Astec (BSR)	3	Eurotunnel	32	Lloyds Bank	31	TSB	11	Burmah Castrol	39
BAT Inds	54	FKI	6	Lonrho	9	Tesco	17	Conroy Pet	6
BOC	49	FNFC	6	Lucas Inds	10	Thorn EMI	51	Gaelic Res	½
BTR	32	Forte	17	Marks Spencer	22	T & N	11½	Premier Cons	2½
Barclays	24	GKN	31	Midland Bank	30	Unilever	70	Shell	33
Blue Circle	18	Gen Accident	38	NatWest Bank	22	Vickers	12	Tuskar Res	½
Boots	34	GEC	17	P & O Dfd	33	Wellcome	70	■ MINES	
Bowater	56	Glaxo	55	Racal Elect	6	■ PROPERTY		RTZ	39
Brit Aerospace	30	Grand Met	29	RHM	14	Brit Land	17		
British Steel	6	GRE	13	Rank Org	42	Land Sec.	32		
BT	25	Hanson	15	Ratners	2½	MEPC	24		
Cadburys	32	ICI	78	Reed Intl	41				

Interest charges sharply reduced following £149m rights issue

MB-Caradon ahead to £60.6m

By Maggie Urry

INTEREST SAVINGS following its £149m rights issue last November helped MB-Caradon increase interim pre-tax profits from £47.2m to £60.6m.

The interest charge fell from £11.5m to £2.5m in the six months to June 30.

The figures were in line with expectations and the shares initially rose on the news before falling back to close 12p down at 224p as analysts scaled down forecasts for the year.

Mr Antony Hichens, chairman, said demand had increased slightly immediately after the UK election in April but had then weakened again.

Pre-interest profits from managed businesses – products such as double glazing, radiators and bathrooms, and cheque printing – rose 4.2 per cent to £42.5m on sales down 3.3 per cent at £324.7m.

The group's 35.2 per cent stake in CarnaudMetalbox, the European packaging group, contributed £20.6m to profits, a rise of 15 per cent.

Mr Peter Jansen, chief executive, said the UK building products business, where operating profits fell from £23.6m to £17.9m, had suffered a 9 per cent volume fall in all, though with wide variations, but had increased prices 2 per cent.

He said business was now "bumping along the bottom" although without any sign of an upturn. The trend in profits would depend on how competitive rivals became on pricing.

European building product operating profits were up 39 per cent to £7.5m partly because of the sale of the loss-making Austrian boiler business. Mr Jansen was cautious about the German market in the short term but expected growth in the longer term.

Cheque printing, mainly based in the US, increased operating profits by 45 per cent to £17.1m. The first half of 1991 had been affected by costs of integrating American Bank


Peter Jansen: bumping along the bottom

Stationery, acquired in 1989. Benefits of the merger had now come through. Margins rose from 15 to 21 per cent, but Mr Jansen said it was aiming to reach the 25 per cent margins its main rivals achieved.

The balance sheet was strong, Mr Jansen said, with gearing at 12 per cent. He said this gave the group the scope to make acquisitions although he said the lowest risk way of spending was investing in the group's existing businesses.

Capital expenditure totalled £24m in the first half, broadly covered by cashflow, Mr Daniel Cohen, finance director said.

Earnings per share rose 10 per cent to 7.6p. The interim dividend is unchanged at 2.75p, although this represents a 2.6 per cent rise when the scrip element of the rights issue is taken into account.

Mr Hichens said that dividend was prudent. He said "why stick your neck out at the half year?" The group would be better placed to decide on the appropriate dividend for the year when reporting full year profits next March.

See Lex

Jeyes turns in 20% advance to £2.11m

By Richard Gourlay

JEYES GROUP, the rapidly growing cleaning products group, yesterday demonstrated the resilience of the UK's household goods market by reporting a 20 per cent increase in pre-tax profits for the six months to July 11.

The improvement, from £1.76m to £2.11m, came from sales ahead 17 per cent at £35.9m, with the growth almost entirely internally generated.

Earnings per share rose from 8.3p to 9.9p. In line with the forecast in July when the group made an £18m acquisition of Globol of Neuberg, Germany, the group is to pay a 3.1p interim dividend, a 19 per cent increase.

"The UK market was much stronger than we thought," said Mr Jimmy Moir, managing director, referring to the bleach, moist wipes and lavatory cleaner markets, which grew, and disinfectants which shrank by just 2 per cent.

Internationally, sales grew 40 per cent and now account for 35 per cent of profits.

Mr Moir said there was great potential for earnings enhancement at Globol, which was making operating margins of only 2-3 per cent, compared to Jeyes' overall 7 per cent.

The group could benefit from the kind of attention that Jeyes received after the management buy-out he led from Cadbury Schweppes in 1986.

The acquisition of Globol, which expands group sales by about two thirds in a full year, will greatly increase Jeyes' international presence.

Had Globol been included this year the group would have 40 per cent of sales in the UK, 20 per cent in Germany, 20 per cent in the rest of Europe and the balance in the rest of the world.

Gearing at the half year was unchanged at 40 per cent. Interest was six times covered by operating profits.

● COMMENT

The most surprising aspect of these good results is that the UK household market remains so strong in spite of the recession. While Jeyes has had to forgo some margin, its market share in the UK has increased and internationally growth has been nothing short of phenomenal, led by a Japanese love-affair with the "Bin" lavatory hygiene blocks. Jeyes' next few years of earnings growth is also pretty much guaranteed from margin improvement, cross-marketing and cost-cutting at Globol, acquired in July. The problem for investors who did not join the bandwagon when the MBO vehicle came to the USM is that most of this good news is already in the price. A full-year pre-tax profits forecast of £5.5m, or 21.8p of earnings, puts the shares on a multiple of 21, already at a 50 per cent premium to the market.

Problems at US cable offshoot leave Delta 6% lower at £31m

By Jane Fuller

DELTA, the cables and engineering group, said that one of its four business cylinders had failed to fire in the first half, causing pre-tax profits to fall by 6 per cent, from £33.1m to £31m.

The "problem child" was Surprenant, a US cables company badly affected by defence cuts. The cables division saw operating profit halve to £5.61m (£10.7m) in the six months to June 27 on sales of £139m (£146.6m).

Delta's share price, which hit 505p in May, closed 25p down at 353p yesterday.

Mr Robert Easton, chief executive, said UK cables prices had fallen through the recession and the capital spending of privatised electricity companies remained limited.

Overall, group operating profit declined to £26.1m (£29.5m) on turnover of £402.3m (£389.6m). Earnings per share slipped to 12.7p (14.3p) and the interim dividend is maintained at 4.2p.

The star performance came from the engineering division, which advanced operating profits by 18 per cent to £11.2m (£9.53m) on sales of £160.5m (£145.7m). The continental plumbing products business, related to building refurbishment, had continued to grow and there was considerable scope for expansion in eastern Europe.

Industrial services slipped to £8.43m (£9.71m) on sales of £89.2m (£96.7m). The main impact came from the weakening Australian dollar. Overall the effect of currency movements knocked nearly £1m off group profit.

Circuit protection improved by 27 per cent to £7.38m (£5.8m) on £66m (£53.7m) turnover. New products had improved the company's market shares.

Before the group acquired the outstanding 36 per cent of Delta Crompton Cables for £37m from BTR in June, gearing was similar to the year-end ratio of 13 per cent on net debt of £40.7m. Mr Mike Gill, finance director, said the up-to-date gearing figure was about 25 per cent.

The proportion of group sales in the UK has steadily declined to less than 50 per cent. Altogether, Europe, accounted for £329.2m (£307.5m) of sales.

● COMMENT

It seems the market has grown a little bored with Delta's worthy record of cost-cutting to tackle recession, maintaining a comfortably covered dividend and eschewing rights issues and big acquisitions. It used to benefit from the reflected lack of glory of BICC. But with BICC yielding nearly twice as much, sentiment has swung the other way. Unfortunately for Delta, the prompt rationalisation to protect margins is seen as limiting recovery potential. This is perhaps a little unfair because only a 5 per cent increase in volume in cables would create a bounce from the lean cost base. But there are few good words for Delta's cables business at the moment, which is seen as commodity-like – hence the vulnerability to falling prices. The group remains in a good position to make acquisitions for cash – there is some regret that it did not use its erstwhile highly rated paper for this purpose. A full-year pre-tax profit of £62m gives a prospective multiple of 13.5. The share price ought to have fallen far enough, but it will take some positive news to get it moving.

Crédit Lyonnais taking over Woodchester

By Tim Coone in Dublin

WOODCHESTER Investments, the Dublin-based leasing and banking group, has announced its ambitions to become the third force in the Irish banking market and a significant company in the European small-ticket leasing market.

In its interim results for the half-year to June 30, also announced yesterday, Woodchester reported a 3 per cent fall in pre-tax profits, from I£18m to I£17.5m (£16.7m).

The company intends to acquire from Crédit Lyonnais Group a 30 per cent stake in Crédit Lyonnais Leasing Europe, in a share and cash deal worth I£22.1m. The deal will take the French group's stake in Woodchester to 48 per cent and it intends to increase this to 51 per cent by purchases in the market.

CLLE is Crédit Lyonnais' principal holding company for its continental European leasing activities outside France. It has advances and other assets worth I£1.1bn.

Mr Craig McKinney, Woodchester chairman, said: "Within 12 months I expect Woodchester to be the third largest Irish bank with a strong retail banking presence in Ireland. Crédit Lyonnais and ourselves share that aspiration.

"If you are in the lending business you need a partnership like this otherwise you are dead in the water".

He added that the company was seeking to acquire a retail banking network of 50 to 60 branches in the Republic, to add to its existing 12. With electronic banking he said Woodchester would not need the 400-branch networks of Allied Irish Bank and Bank of Ireland, the market leaders, to be able to compete effectively. He expected that a deal would be announced within the next three to six months.

On the leasing side Mr McKinney said: "We want to be a big pan-European player in partnership with Crédit Lyonnais. We are going in with a partner who knows those markets well.

"In Ireland we have 45 per cent share of the car finance market. We believe the sector we are working in is too narrow. With what we have done in a population of 3.5m people, we believe there is huge potential in Europe backed by the financial muscle of Crédit Lyonnais. If we cannot quadruple [the CLLE] leasing portfolio in four years, I would be very disappointed."

On the results Mr McKinney said: "I believe it represents a considerable achievement given the difficult trading conditions in the UK and represents only a small decrease on the record profits achieved in the same period last year."

The result was in line with expectations, improvements in the core domestic market having been offset by the difficult conditions in the UK.

Overall advances and other accounts increased 65 per cent to I£1.36bn (I£826m).

Gross rentals were I£231m (I£197m). Earnings per share came out lower at 7.47p (7.7p) and the interim dividend is raised by 20 per cent to 1.81p (1.51p). One analyst said the increase was "indicative of Woodchester's intention to establish itself as a banking group".

The shares rose 16p to 154p.

Watmoughs doubles to £5.1m

By Roland Rudd

WATMOUGHS (Holdings), one of the UK's largest printers, almost doubled pre-tax profits, from £2.6m to £5.1m, for the half year to June 30 on the back of increased orders.

In comparing the 96 per cent profit increase with last year Mr Patrick Walker, chairman, said account should be taken of the difficult trading conditions affecting the second quarter of 1991, which were largely related to the Gulf war.

The group regained the printing contract for the Saturday Times Review, after losing it temporarily, and increased its mail order business.

Mr Walker said the group has also won more one-off contracts than before because of its speed in processing pictures into magazines within less than 48 hours.


Trevor Humphries

Colin Maughan (foreground), deputy chairman, and Patrick Walker: more one-off contracts than ever before

Turnover increased to £55.5m (£48.6m).

The group has continued to expand in continental Europe, opening a new plant in Hungary and winning contracts in Spain.

Mr Walker said the group was on target to generate 30 per cent of turnover from Spain, Hungary and exports from the UK by 1994.

This year's £22m rights issue, coupled with strong cash flow, enabled the group to reduce gearing by half to 15 per cent.

Net assets stand at £90m.

Capital expenditure is expected to have almost doubled by the year end to £33m.

The shares rose 6p to close at 448p in a falling market.

Earnings per share increased to 11.14p (6.17p). The interim dividend is raised to 2.7p against 2.5p.

Renault's UK truck side incurs £18.6m deficit

By Kevin Done, Motor Industry Correspondent

RENAULT TRUCK Industries, the UK subsidiary of Renault Véhicules Industriels, the French commercial vehicle maker, suffered an £18.6m pre-tax loss last year following losses of £20.8m in 1990 and £21.1m in 1989.

The scale of the losses, coupled with the absence of new orders to replace a large volume military truck contract which will be completed at the end of the month, is forcing Renault to review the future of its truck assembly operations in the UK.

In the short-term the ending of the contract is expected to lead to further job losses at the Dunstable plant. The workforce, excluding truck dealerships, has already been almost halved during the recession to 552 from 1,070 at the end of 1989.

RVI has been forced to inject £20m in new equity to bolster the battered finances of RTI, which has incurred losses for the past decade.

The latest financial restructuring follows the provision by RVI of £30.4m of additional working capital for its UK truck subsidiary in 1990, the injection of £14.2m of extra working capital and a £15m loan in 1989. RTI's turnover fell by 10 per cent last year from £71.9m to £64.8m.

Renault warned previously that it could end truck assembly in the UK, but the Dunstable plant was granted at least a temporary reprieve in mid-1990, when it won – along with Reynolds Boughton – a £20m contract to supply 846 four-wheel drive trucks to the Ministry of Defence.

The contract has accounted for close to 30 per cent of RTI's output in the last two years.

The MoD has not exercised its option to purchase an additional 160 vehicles, and RTI hopes that the initial contract would lead to significant export orders have failed to materialise.

Renault took over the former Chrysler-owned Dodge truck operations in Dunstable in 1981. It currently assembles two vehicle ranges – the 50 series light truck, which it inherited from Dodge, and the Renault Midliner light/medium truck. Output fell last year by 24 per cent to 915 vehicles.

Trinity ahead of City forecasts with £7.89m

By Raymond Snoddy

TRINITY International, the Chester-based publisher of the Liverpool Daily Post and Echo, announced a 14 per cent increase in pre-tax profits from £6.94m to £7.89m for the six months to June 27.

Mr David Sneddon, chief executive of the group which has local and regional papers in north-west England, North Wales, Canada and the US, said yesterday he was particularly pleased by the performance of the group's UK newspapers despite the recession.

"We took costs out a long time ago," said Mr Sneddon, who added that display advertising at the Liverpool Echo was more than 16 per cent up during the first half.

The results were better than expected and the share price rose by 9p to close at 250p.

This year Trinity has turned itself into a more concentrated media company. In January it sold its papermaking and packaging division to Danish Paper Packaging for £27m in cash.

In July the purchase of Scottish and Universal Newspapers from Lonrho for £45m was completed too late to be included in the first half results. The company said that integration of the Scottish titles was going well.

Turnover of the continuing Trinity businesses increased by 3.3 per cent to £49m.

Earnings per share rose by 5.1 per cent to 8.2p and the dividend is 2.7p compared with 2.5p.

Trinity warned that its Canadian newspaper businesses were still experiencing competitive pressures which "together with continued dollar weakness will have some impact on profitability." However, the new management in Canada was "aggressively addressing the competitive position."

Trinity said it was confident that results for the full year would be satisfactory provided there was no material worsening of market conditions.

In the year to December 1991 Trinity made pre-tax profits of £13.3m. This year analysts are expecting between £16.2m and £18.6m.

Trinity is also looking at acquisition prospects in the newspaper industry.

BP sale to Neste gets go-ahead

The acquisition by Neste of the polyethylene manufacturing activities of BP Chemicals is not being referred to the Monopolies Commission.

African drought takes toll on Linton Park

The drought in Africa and consequent decline in tea production in Kenya and Malawi left Linton Park, the tea producer, food processor and engineer, with a 6 per cent fall in interim profits.

Mr Haughton FitzGerald, chairman, said it was unlikely that the shortfall in production would be made up in the second half, although prices for higher quality Kenyan teas had recently improved.

Turnover for the six months to June 30 amounted to £58.7m, down from £60.3m. After a reduced interest charge of £1.26m (£1.58m), pre-tax profits came to £2.34m, compared with £2.49m.

Earnings per share dipped to 7.1p (7.8p) and the interim dividend is maintained at 2.5p.

Bowater agrees sale to avoid MMC referral

Bowater has agreed with the Department of Trade and Industry to dispose of its Welton medical sterilisation bags and pouches subsidiary thereby forestalling a referral to the Monopolies and Mergers Commission, writes John Thornhill.

The DTI asked Bowater to reduce its presence in the market following the acquisition of the DRG packaging group which gave the combined packaging group an unacceptably high market share. The addition of DRG's subsidiary – DRG Malago which has an annual turnover of £4m – bolstered Bowater's share to 51 per cent.

However, Bowater has undertaken to sell its Welton business, which has a turnover of £2m, within 12 months.

Usher-Walker at £9,000 after exceptional

Usher-Walker, the manufacturer of printing inks and rollers, saw pre-tax profits almost wiped out at the interim stage following a sizeable exceptional charge and "predatory pricing" by a competitor in the black newspaper ink market.

After an exceptional debit of £143,000 for reorganisation and redundancies in the group's inks and rollers divisions, pre-tax profits for the six months to June 30 amounted to just £9,000, against £217,000 last time.

Profits at the operating level emerged at £270,000 (£416,000) from turnover of £10.4m (£8.14m).

Earnings per share fell from 3.23p to 0.04p but the interim dividend is being maintained at 2p.

Ex-MTM chairman returns to his beginnings at Stockton-on-Tees

Richard Lines sets up in business again

By Chris Tighe

MR RICHARD LINES, who resigned as chairman of MTM in March after controversy over the specialist chemicals manufacturer's accounts, has set up in business again – from the same Stockton-on-Tees offices where MTM was created.

In an uncanny reworking of history, Mr Lines is now operating as a consultant to fledgling entrepreneurs from Marlborough House, after which MTM – Marlborough Technical Management – was named in 1978.

He has leased the first floor offices from Hexcel Corporation which bought MTM's first venture, Seal Sands Chemical Company. Mr Lines, an ex-ICI man, was running his own chemical consultancy from Marlborough House when he met MTM co-founder Brian Wiggins in 1978.

Mr Lines was forced to resign after misleading the City about 1991 profits. Binder Hamlyn, MTM's auditors until last week, subsequently compiled a report that revealed "incorrectly recorded" transactions in 1991 and gave rise to questions about previous years' accounts.

The Stock Exchange conducted an insider trading investigation into MTM.

On his return to Marlborough House, Mr Lines even found the same decor; "I thought what appalling taste I had 14 years ago." Symbolically perhaps, it has now been changed from black and white to pale green.

First credited with creating, by sheer personal dynamism, one of the fastest growing glamour stocks of the 1980s, and subsequently obliged to resign by its dramatic nose-dive, he says he emerged two months ago "from the misery zone" and set up Stronach Investments.

He regularly telephones Mr Ken Schofield, the new chief executive who turned around the fortunes of Hickson International, the chemicals group, offering a torrent of free advice.

Mr Lines owns 75 per cent of the new company and his business partner, Ian Lawson, an ex-Price Waterhouse accountant, owns 25 per cent.

Mr Lines says he is advising would-be manufacturers on start-up techniques and finance "using all the experience one has gained over the years in creating MTM". Stronach Investments may invest in projects "if the opportunity looks good".

Those he is advising include ex-MTM European operations director and ex-board member Neville Newson, who left MTM in the summer.

Mr Newson, whose new company – Fine and Performance Chemicals – is next door to Mr Lines, is acting as a chemical companies adviser, though further development is planned.

MTM's market capitalisation was £356m before its shares plunged in March from 286p to 26p; yesterday they closed at 30p. It showed a £20m pre-tax loss in 1991.

The company, now being restructured, last week reported a £28m interim loss. Net assets are £15m and net debt £100.6m.

Mr Lines said MTM's problems had not deterred clients. "I've looked at numerous pretty good ideas and some pretty awful ideas."

With hindsight, he said, MTM should have taken more balanced advice; he also now believes a "projects person" like him should hand over day-to-day running of his creation.

Mr Lines, who last year sold 1.25m shares in MTM at 247p each, said he needed both to earn a living and to satisfy his desire to work. He retains a 6 per cent stake in MTM, where Mr Schofield is seeking about £40m in a new capital injection from shareholders.

So far he had helped create


Richard Lines: consultant to fledgling entrepreneurs

36 jobs, four at Stronach and 32 in two Teesside start-ups, making furniture and household equipment.

MTM's setback was "a bit sad", he said, but he was confident for its future. And his ambition for Stronach Investments? "It's got to move in the right direction."

Airbreak resignations 'a gesture'

By Peter Pearse

MR DAVID LEWIS, who tendered his resignation on Monday as chairman of Airbreak Leisure Group, said yesterday that the move was largely a gesture.

His resignation and that of Mr Martin Linton, finance director had not yet been accepted and nor did he expect them to be.

In a statement to the Stock Exchange on Monday after the markets closed, Mr Lewis reported an interim pre-tax loss of £2.92m and the sale of Sunsail International, an ill-starred recent acquisition. He also said in the statement: "I have tendered my resignation as your chairman along with your finance director, Mr Linton."

Mr Lewis had also warned that "the results for this financial year will be significantly below the expectation of our shareholders". He was unavailable for comment on Monday evening.

Responding to the news, Airbreak's shares dropped 13½p to close yesterday at 10½p.

Mr Lewis explained yesterday that he made the warning so as not to create a "false market" for the tour operator's shares.

The £2.92m losses, for the traditionally loss-making first half, were about £500,000 better than the predicted losses of £3.4m, he said. But the company would probably not meet, he said, profit forecasts of £4.2m for the full year.

As for Sunsail, Mr Lewis said that he and Mr Linton had "bought a company we should never have bought".

Sunsail owns some 340 of the more than 450 yachts it charters and has no business through the winter months. The company was bought in January for up to £8.08m, mostly in shares but including £1.55m of loan stock. The first tranche of 5.71m shares was paid, but Mr Lewis said that the second tranche of 5.91m, which was dependent on Sunsail making profits of at least £1.4m pre-tax in the year to October 31 1992, would not now be issued.

Mr Lewis said Sunsail had been sold "to a large well-known City institution" for £3.4m in cash and loan notes.

COMPANY NEWS IN BRIEF

ALLIED-LYONS has sold the Kendermann and Langenbach wine businesses to the Gunther Reh group. Included were the Black Tower and Crowns of Crowns brands.

CENTURY, the specialist financial services group, has acquired CCL Assurance from the CCL Financial Group for an undisclosed sum. CCL Assurance has some £100m under management, on behalf of 50,000 policyholders. Its acquisition will increase Century's funds under management to a little less than £1bn.

SINDALL (WILLIAM): Interim statement deferred so that the effect of the judgment of a legal action against Cambridgeshire County Council in respect of land purchased in 1988-89 may be incorporated within the announcement.

WORTHINGTON GROUP, the textile company, has succeeded in its aim of getting more institutions on the shareholder register. Its rights issue of 7.5m shares has been taken up by holders of 20.3 per cent leaving the rest with the sub-underwriters. Before the offer the company's directors were the dominant shareholders. Their combined holdings have now been reduced to 38 per cent of the enlarged share capital.

Takeover discussions continue with TT following exchange of site visits

Lower exceptionals cut AB Electronics' loss

By Roland Rudd

RESTRUCTURING COSTS and a fall in sales were blamed by AB Electronics, the components manufacturer, for another deficit over the year to June 30. The final dividend is omitted.

AB is continuing friendly discussions with TT Group which may led to it being taken over by the acquisitive industrial holding company. TT recently took a 6.35 per cent stake in AB.

The two sides have exchanged site visits which led to further negotiations last week. TT has now asked for further information.

AB's loss before tax of £11.2m (£14.8m) was struck after an exceptional charge of £4.6m (£10.9m) to cover redundancies and costs associated with the rationalisation of the ongoing businesses.

Last year's results have been restated to comply with the Accounting Standards Board. The effect has been to increase the loss in 1991 since reorganisation and restructuring costs accounted for as an extraordinary item have been restated as exceptional items.

Sales fell from £213.4m to £171.2m. The operating loss rose to £2.75m (£66,000). Losses per share were 34.9p (36.4p).

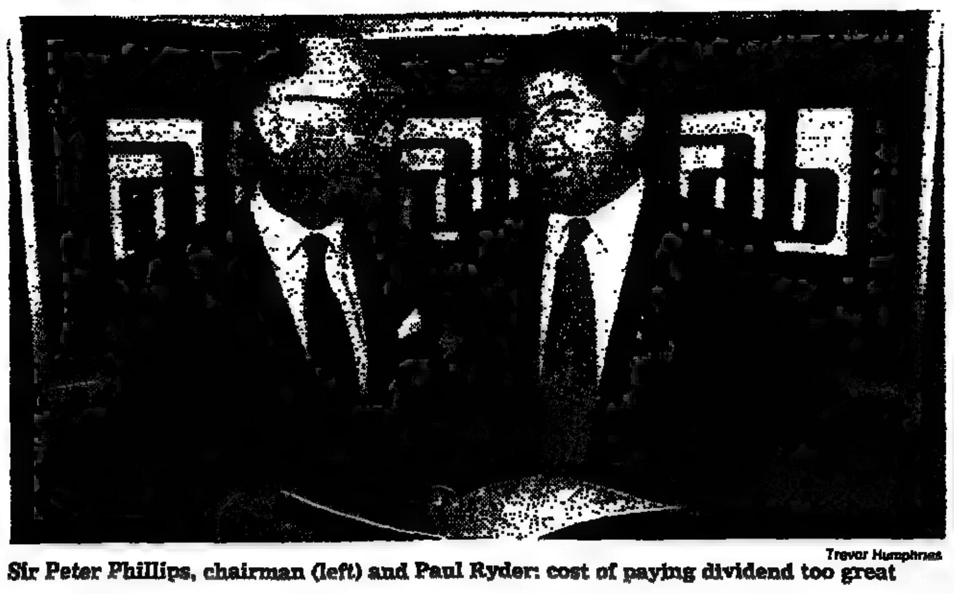
Mr Paul Ryder, managing director, said the group decided not to pay a dividend since the expense of administering last year's notional dividend of 0.1p was too costly.

A strong performance from the German-based sensors business helped the automotive division report an increased operating profit of £2m (£1.7m). The group is in talks to sell its loss-making UK-based automotive electronic systems.

The operating loss at the components division increased to £3.75m (£2.6m). Loss-making Swansea Industrial, which makes electrical harnesses, is also about to be sold.

The assemblies division incurred a loss of £46,000 compared with an operating profit of £2.4m. The old resale and distribution division reduced its operating loss from £1.3m to £964,000.

Borrowings fell to £25.8m (£28.7m) representing gearing of 89 per cent.



Trevor Humphries

Sir Peter Phillips, chairman (left) and Paul Ryder: cost of paying dividend too great

COMMENT

News of TT's continued interest cut little ice with the market. The shares fell 10p to close at 47p, capitalising the group at £13m. This is less than the sum the company might be reasonably expected to raise for two of its loss-making businesses. It appears that the market is unsure whether the group can survive. With forecasts of another small pre-tax loss or the possibility of breaking even the outlook is bleak. In the group's favour are the planned disposals which could cut borrowings by half, the refocusing of its core businesses, increased cost cutting with the loss of another 400 jobs and the possibility of a takeover. However, it remains a risky recovery stock. For that reason most investors will want to wait longer before committing themselves.

Alchem and United Drug discuss merger

By Tim Coone in Dublin

MERGER TALKS are at an advanced stage between United Drug, the Dublin-based pharmaceutical distributor, and Alchem, the parent company of Sangers, Northern Ireland's largest pharmaceutical wholesaler.

The combined group would have turnover in excess of I£110m (£105m).

In a statement United Drug said "These discussions may lead to an amalgamation of the interest of the two companies and an announcement on the outcome will be made in due course."

United Drug has expanded in recent years by the acquisition of companies specialising in the distribution of optical and hospital equipment and photographic supplies.

It distributes to 1,000 pharmacy outlets in the Irish Republic, a quarter of which hold 15 per cent of the company's shares. It also holds the Vantage franchise in Ireland, a retailing system developed by AAH Pharmaceuticals, one of the the UK's leading distribution companies.

United Drug reported a 10 per cent increase in sales in 1991 to I£63m, and a 13 per cent growth in pre-tax profits to I£2.7m. The company obtained a full listing in London and Dublin in March this year. Its shares closed up 5p at 175p yesterday.

Alchem is an unquoted company, but has more than a third of the retail pharmacists in Northern Ireland as shareholders. It reported turnover of £43m in its accounts to March 1991.

Lopex cuts losses to £125,000

By Jane Fuller

LOPEX, the advertising, public relations and marketing group, cut its pre-tax losses to £125,000, from £916,000, in the first half of 1992 as clients continued to reduce their spending. The interim dividend is passed again.

Mr Peter Thomas, chief executive, said it was doubtful whether a final dividend would be paid. The policy would be reviewed when the group returned to profit, which would hopefully be next year.

Turnover fell from £111m to £73.7m, although the bulk of the decline was accounted for by disposals. Lopex said the underlying contraction in volume was 4 per cent.

A further 30 to 40 jobs were shed with more to follow in this half. Exceptional redundancy costs of £447,000 (£410,000) were, however, more than offset by the surrender of a lease on an acquisition's former head office in Grosvenor Gardens, central London.

Mr Thomas said the carrying costs of empty properties used to exceed £1m, a large proportion of that would have been eliminated by next year.

Most of the group's sales are in the UK. Advertising had suffered a severe squeeze on profits, while public relations and direct mailing had held up better.

Marketing budgets were much leaner: "The marketing director is no longer the key man on the board – that's the finance director these days."

After a quiet six months, clients were now considering their budgets for next year and there were signs of them starting to spend.

The group's net debt typically stood at £6m to £7m and was stable. First half interest costs fell to £465,000 (£948,000) as disposals had brought down debt.

Mr Thomas said the group had only £250,000 of earn-out payments left for acquisitions. Those liabilities had stood at £20m two years ago.

Extraordinary costs amounted to £477,000 (£50,000) following a loss on selling a subsidiary and the write-off of goodwill.

Losses per share were reduced to 1.22p (4.1p).

Organic growth lifts Tibbett & Britten

By Paul Taylor

TIBBETT & BRITTEN, the warehousing, transportation and distribution services group, reported a 6 per cent increase, from £6.34m to £6.72m, in interim pre-tax profits.

Mr John Harvey, chairman, described the result as "a stout performance despite the recession" reflecting organic growth across all group divisions.

Turnover in the six months to June 27 expanded by 21 per cent to £101.6m (£84.3m). Virtually all the increase came from existing businesses with the retail consolidation business, which handles electrical and non-food goods, performing particularly well.

Operating profits, however, increased by only 4.3 per cent to £6.41m (£6.15m), reflecting reduced margins. Mr Harvey said several factors contributed to the decline in margins.

Although distribution for individual clients performed well, Fashion Logistics, the shared-network distribution business which accounts for 7 per cent of turnover, was operating in "an extremely depressed clothing sector" and remained unprofitable despite "considerable rationalisation," as volume and prices fell.

Margins were also reduced by changes in the overall mix of activity and revenues, start-up costs overseas, especially in Canada, Portugal and South Africa, and further costs incurred in strengthening group infrastructure.

Organic growth continued with the purchase of a 30 acre site and 580,000 sq ft warehouse at Preston Brook for the further development and consolidation of the group's contract with the B&Q retail DIY chain, and the building of a cold store at the Northfleet depot for distribution of J Sainsbury's refrigerated food from September.

Capital expenditure, for development, in the first half was particularly high at £13.5m. However, net interest received still rose to £308,000 (£194,000), and gearing was 14 per cent of net assets of £51m at the period-end.

After a higher tax charge of £2.22m (£2.11m), earnings per share increased by 4 per cent to 12.8p (12.3p). The interim dividend is raised to 3.8p (3.4p).

Mayflower sale

Mayflower Corporation has sold Elliott Bayley, its financial services company, to management for £1m cash.

Some £635,000 is payable on completion with the balance due over three years. The price includes repayment of inter-company debt.

Scholes blames low activity for 31% fall to £3.17m

By Peter Pearse

SCHOLES, the electrical installation materials group, continued to be affected by "the worst recession for many years", and reported a 31 per cent fall in pre-tax profits, from £4.58m to £3.17m, for the 12 months to June 30.

Turnover declined 8 per cent to £62m (£67.3m).

Mr Bill Riches, who moved up from finance director to chairman in July after the death in March of Mr Reg Harrington, the previous chairman and chief executive, said lower levels of activity lay behind the profits fall.

The group's cash position was sharply improved, he said.

Net cash generation rose to £4.4m (£1.5m) and gearing fell to 13 per cent (32 per cent) as borrowings were cut to £3m (£7.4m).

Net interest charges were almost halved at £834,000 (£1.59m), ameliorating the 47 per cent decline in operating profits from £7.12m to £3.5m.

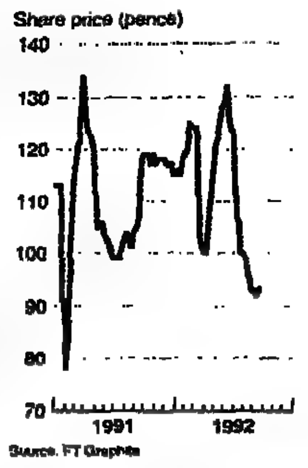
The group, Mr Riches said, had a much better second half – turnover was £33.5m, operating profits £2.6m and pre-tax profits £2.3m. The respective first-half figures were £29.5m, £1.2m and £916,000.

The improvement, he said, was largely a result of reduced costs and manufacturing efficiencies, and to a lesser extent to increased sales volume.

Mr Riches also said that the restructured board would be exerting more hands-on management as far as pricing, joint ventures and product development were concerned.

There were no acquisitions in the pipeline, but capital expenditure, having fallen in the year under review from £2m to £1.5m, would rise to £2.5m or more in the current year.

Scholes Group



Source: FT Graphite

Earnings were down at 5.9p (8.5p) per share, from which a maintained 5p total dividend will be paid via an unchanged 3.4p final.

COMMENT

The results were a little better than expected, especially the second half, though trading is locked into the housing and construction market doldrums. However, Scholes can only benefit from its growing joint venture relationship with Asea Brown Boveri (cf Delta and AEG). ABB does the expensive research and development chores and Scholes makes and distributes the products well. Meanwhile Mr Alan Baxter, the chief executive newly arrived from FKI, adds muscle to a board which needs to regain some control of the operating companies from their managements. Forecasts for current full-year pre-tax profits give a multiple of 9.7. The shares – up 1p at 93p – might well drift for a while, but any positive interest rate news to help the housing market will give them a boost. Worth buying and holding.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
AB Electronic ......fin	nil	-	0.1	nil	0.1
Arjo Wiggins ......int	2.65	Nov 17	3.3	-	8.35
Cala ......fin	1.15	Oct 31	2.25	2.3	3.4
Delta ......int	4.2	Dec 1	4.2	-	14
Domestic & Gen ......fin	12	Nov 26	10.5	18	15
Everest Foods ......fin	4.8	Nov 24	4.6	7	6.8
Golden Vale ......int	0.5♣	Nov 7	0.42	-	1.35
Haggas (John) ......fin	2	Nov 27	3	3	3
Jayes ......int	3.1†	Dec 29	2.8	-	8.4
Kingfisher ......int	4.2	Oct 30	4	-	13
Linton Park ......int	2.5	Nov 17	2.5	-	13
MB-Caradon ......int	2.75†	Nov 17	2.75	-	8.5
Osprey Comms ......int	nil	-	1.35	0.65	2.7
River/Merc Amer ......int	1.8‡	Nov 6	1.8	-	7.8
Scholes ......fin	3.4	Nov 9	3.4	5	5
Starmin ......int	0.1†	Nov 9	0.1	-	0.3
Tibbett/Britten ......int	3.8	Oct 29	3.4	-	10.8
Trafford Park ......fin	1.725	Nov 17	1.725	2.575	2.575
Trinity Intl ......int	2.7†	Oct 30	2.6	-	8.4
Usher-Walker ......int	2†	Nov 16	2	-	6
Watmoughs ......int	2.7†	Nov 9	2.5	-	10.5
Woodchester Invs ......int	1.81♣	Nov 4	1.51	-	3.75

Dividends shown pence per share net except where otherwise stated. †On increased capital. ♣Irish pence. ‡Second interim making 3.6p so far.

Better margins buoy Golden Vale

Improved margins throughout the company and lower interest charges helped Golden Vale, the Irish dairy products group, increase pre-tax profits from I£7.31m to I£7.76m (£7.4m) in the first half of 1992.

Consumer products and food ingredients showed volume gains but agribusiness and farm products were sluggish.

Turnover was unchanged at I£155.8m. The net interest charge was I£956,000 (I£1.27m). Earnings per share were 4.35p (4.18p) and the interim dividend is raised to 0.5p (0.42p).

BOARD MEETINGS

TODAY

Interims- Abbott Mead Vickers, Bluebird Toys, CI, Calor, Dartmoor Inv Trust, Eidos, FBD, Finlay (James), Kingspan, LGW, Meggitt, Quarto, Stag Furniture, Steel Burrill Jones, Try, Waterford Foods, World of Leather.

Finals- Alumasc, British Data Management, Close Bros, Community Hospitals, Northern Industrial Improvement Trust, Triton Europe.

FUTURE DATES

Interims-	
Alexon	Oct. 1
Antofagasta	Sep. 24
Clifford Foods	Oct. 2
Hampden	Sep. 24
Inoco	Sep 18
Metalrax	Sep. 21
Mowlem (John)	Sep. 23
Norcros	Nov 10
Sentry Farming	Sep. 25
Telemetrix	Sep. 24
Wolstenholme Rink	Sep. 22
Finals-	
Chemring	Dec 16

Domestic & General shows 25% rise

By Andrew Jack

GROWING DEMAND by consumers to insure their domestic appliances against breakdowns helped lift pre-tax profits at Domestic & General, the Wimbledon-based specialist insurer, by 25 per cent to £6.19m in the six months to June 30.

Earnings per share rose from 48.11p to 61.13p and the annual dividend is raised to 18p (15p) with a proposed final of 12p.

Mr Martin Copley, chairman, said: "We're obviously very pleased. This is a creditable result given the continuing recession."

He said the company's service – which arranges repairers rather than simply providing insurance to cover breakdowns – combined with growth in insurance schemes operated by appliance manufacturers had helped raise premium income.

Gross premiums for domestic appliances rose to £43.5m (£32.9m) and other premiums fell to £232,000 (£421,000), reflecting the company's concentration on its core business.

Turnover rose by 29 per cent from £34.2m to £44.2m, while expenses increased 13 per cent to £10.5m.

Investments in Copley, a subsidiary which provides personal loans to police officers, jumped to £10.3m (£7.9m). Total investment income rose 14 per cent to £5.9m.

Mr Copley said the company's strong connections with the domestic appliance suppliers and its broad management services had helped it stave off growing competition over the past 12 months.

He said Domestic & General had had to reduce its premiums in line with the market, but it was taking steps to limit attempts by the 1,000 repairers it uses to widen their margins.

NEWS DIGEST

Cala cuts loss to £980,000

BY FOCUSING on its core housebuilding activities Cala, the Aberdeen-based builder and developer, reduced pre-tax losses from £6.94m to £980,000 in the year to June 30.

However, with the housing market having suffered a further setback and the outlook "obscure" the company is proposing to cut its final dividend from 2.25p to 1.15p leaving the total at 2.3p (3.4p).

Mr Geoffrey Ball, chairman, said that firm management controls had been reimposed on its south of England housebuilding side and losses had been significantly reduced as they had been in the Midlands. In Scotland its activities were still profitable.

The pre-tax figure was struck after exceptional costs of £1.25m of which £628,000 related to discontinued activities. It included commercial property writedowns of £840,000 and housebuilding land writedowns of £8,000.

Gearing increased from 40 per cent to 56 per cent at the year end as a result of investment in land.

Turnover was £66.2m (£93.3m). Losses per share were 3.44p (15.09p).

Manufacturing side boosts Haggas

A strong performance from its manufacturing side enabled John Haggas, West Yorkshire-based worsted spinner, to increase pre-tax profits for the year to June 30 by 58 per cent.

However, an extraordinary charge of £4.95m on the sale of the hand knitting wools retailer left attributable losses at £2.98m, against profits of £1.22m. The effect was a reduction of £580,000 in reserves after taking back £4.37m of goodwill previously written off.

Manufacturing pre-tax profits increased 52 per cent to £3.15m (£2.07m) with the fabric division performing well and spinning making good progress. Retailing lost £263,000 (£249,000).

Group turnover was £34.4m (£33.4m). Earnings per share were 9.02p (5.6p) and a final dividend of 2p is proposed for an unchanged total of 3p.

Modest decline in net assets at USDC

USDC Investment Trust had a net asset value of 191.1p per share at June 30 – down from 192.1p at December 31 and 197p at June 1991.

The trust, managed by GT Management, reported net profits of £1.18m (£825,000) for the six months to end-June, for earnings of 3.22p (2.25p) per share. The interim dividend is raised from 1p to 1.25p.

Further assets fall at Merchants Trust

The Merchants Trust had a net asset value of 195.3p per share at July 31, a fall of 8.5 per cent on the 213.4p reported at the trust's January year-end and 16 per cent on the 231.7p of July 1991.

Attributable profits rose from £6.18m to £6.46m for earnings of 6.31p (6.04p). A second interim of 2.65p brings the total so far to 5.3p (5p).

Potatoes provide growth at Everest

Everest Foods, the frozen foods and egg production company, reported another record year in the 12 months to May 31. The shares rose 5p to 220p.

On turnover 12 per cent higher at £33.8m (£30.2m) pre-tax profits advanced 26 per cent to £3.31m (£2.64m). Trading profits in the food distribution and egg production divisions both fell but frozen chips and potato products advanced 30 per cent.

The pre-tax result was helped by a halving of interest costs to £439,000 (£874,000) as a result of the placing and open offer in December. Earnings per share were 20.13p (17.97p) and the final dividend is raised to 4.8p for a total of 7p (6.8p). A 1-for-1 scrip issue is proposed.

Exceptionals push Osprey into red

Despite a "promising start" Osprey Communications, the advertising and marketing services group, finished the year in the red.

Pre-tax losses for the 12 months to May 31 were £336,000, against profits of £869,000. Turnover fell by 18 per cent to £25.6m (£31.2m).

The pre-tax figure was struck after exceptional charges of £355,000, comprising £192,000 of redundancy costs and a £163,000 debt write-off.

Losses per share emerged at 2.08p (4.67p earnings) and in view of the results the final dividend is passed leaving the total for the year at 0.65p against 2.7p.

Trafford Park edges ahead to £3.6m

Trafford Park Estates, the Manchester-based property investment and development group, reported a near-10 per cent advance in annual profits.

The pre-tax line for the 12 months to June 30 amounted to £3.63m, against £3.3m last time which included £743,000 from property sales. Gross income totalled £11.7m (£13.1m).

An unchanged final dividend of 1.725p maintains the total at 2.575p, covered 1.6 times by earnings of 3.8p (3.6p).

An extraordinary gain of £221,000 related to a pension refund following a restructuring of the company's scheme.

Martin Currie Pacific assets fall

Martin Currie Pacific Trust reported a net asset value per share of 257.5p basic and 245p fully diluted as at August 31.

The figures compared with 291.4p and 274.4p respectively 12 months earlier and were struck after allowing for costs of the unsuccessful bid for Pacific Horizon Investment Trust.

Attributable revenue for the six months to end-August amounted to £158,000 (£118,000) for earnings of 1.25p (0.96p).

River & Mercantile asset values ahead

River & Mercantile American Capital and Income Trust had a net asset value of 30.6p per capital share and 68p per income share at August 31 against 38.57p and 63.08p respectively a year earlier.

Net revenue for the half year amounted to £250,000 (£253,000) for earnings of 3.33p (3.27p) a share. An unchanged second interim dividend of 1.8p is declared, making 3.6p so far.

Firstland requests suspension at 7p

Shares of Firstland Group, formerly Firstland Oil & Gas, were suspended yesterday at 7p at the company's request pending shareholders' approval of reorganisation proposals.

The company, which intends to diversify away from its oil and gas interests, said terms had been agreed for the acquisition of a private packaging company substantially larger than Firstland, for about £4.8m.

The company's shares trade on the USM.

Acquisitions help Starmin to £1.35m

Starmin, the Surrey-based quarrying and engineering group run by Raschid and Osman Abdullah and where Mr Cecil Parkinson, the former cabinet minister, is deputy chairman, yesterday reported sharply higher interim profits.

On turnover ahead 26 per cent to £9.9m, pre-tax profits for the six months to June 30 jumped from £785,000 to £1.35m. The outcome included full contributions from businesses acquired last year.

Earnings per share were unchanged at 0.3p on a greatly increased capital. The interim dividend is held at 0.1p.

FT-SE Eurotrack 100 Index

The FT-SE Eurotrack steering committee has agreed to make the following changes to the FT-SE Eurotrack 100 Index constituent list with effect from September 21.

Additions: Bancario San Paolo (Italy); Banco di Roma (Italy); Nestlé participation certificates (Switzerland); Ciba Geigy Bearer (Switzerland); Bayerische Hypotheken und Wechselbank (Germany); Pernod-Ricard (France); Swiss Bank Corporation participation certificates (Switzerland).

Deletions: Euro Disney (France); SKF B (Sweden); Fiat Priv. (Italy); Procordia B Free (Sweden); Olivetti (Italy); Skandia Free (Sweden); Fiat Risp. (Italy).

The indicative reserve list now comprises: Viag (Germany); Zürich participation certificates (Switzerland); Elsevier NV (Netherlands); Thomson-CSF (France).

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool [illegible] price £/MWh
0030	17.78	19.91	24.12
0100	17.78	17.71	17.71
0130	17.78	17.71	17.71
0200	17.78	17.71	17.71
0230	17.78	17.71	17.71
0300	[illegible]	17.71	17.71
0330	17.78	17.71	17.71
0400	17.78	17.71	17.71
0430	17.78	17.71	17.71
0500	[illegible]	17.71	17.71
0530	17.70	[illegible]	23.87
0600	17.69	19.66	23.87
0630	17.76	19.66	23.88
0700	21.99	20.74	25.00
0730	22.19	22.42	28.74
0800	[illegible]	24.03	28.37
0830	27.31	[illegible]	28.42
0900	27.42	26.75	[illegible]
0930	28.27	28.09	32.49
1000	28.31	[illegible]	32.47
1030	28.30	28.11	32.45
1100	27.49	[illegible]	32.44
1130	27.52	28.18	32.60
1200	28.33	28.22	32.55
1230	28.27	28.19	32.52
1300	27.37	28.13	32.44
1330	27.19	28.05	32.36
1400	24.69	26.73	31.02
1430	24.88	26.73	31.02
1500	24.69	26.73	31.01
1530	24.68	25.60	29.85
1600	24.70	25.61	29.86
1630	24.81	28.06	32.37
1700	28.07	28.07	32.37
1730	28.05	28.05	32.36
1800	24.78	28.03	32.35
1830	22.00	24.03	28.25
1900	21.25	24.03	28.27
1930	22.00	23.64	27.88
2000	25.83	[illegible]	22.00
2030	28.02	22.00	22.00
2100	28.02	26.46	30.73
[illegible]	25.62	26.46	30.69
2200	23.23	26.46	30.73
2230	23.23	26.46	30.73
2300	22.19	23.84	27.93
2330	21.99	22.97	27.26
2400	20.87	20.74	24.96

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £15.66/MWh becomes 1.566p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependant upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.

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Farmers in US exact high price for Bush support

By Nancy Dunne in Washington

THE US administration, which has been showering money on US farmers in a bid to win votes in the crucial Mid-western states, is finding that the price of their support may be more than the president can afford.

Mr Bush's most dramatic offering to his farm constituents was his announcement earlier this month that subsidies would be made available under the Export Enhancement Programme for an additional 1.1bn bushels of wheat.

The announcement, which outraged other wheat-producing countries, came one week after leaders of national wheat organisations met Mr Edward Madigan, the US agriculture secretary, to complain about the EEP programme.

Mr Madison Angell, president of the National Association of Wheat Growers, said: "We told the secretary that action was needed to get markets moving in the right direction. Our prices have dropped nearly $1 a bushel since the beginning of the year, and the government's passive use of the EEP is one of the problems."

The initiative was extended to 28 countries, but wheat lobbyists remained unsatisfied. In its newsletter, US Wheat Associates said it was "unfortunate" that countries such as Mexico, Indonesia and Colombia had not been included.

They said the president was "bowing" to Canadian and Australian requests to leave these markets "out of US wheat farmers' reach".

The White House has had other goodies for the farmers. On Monday it announced a $1.15bn food assistance package to Russia, including $250m in aid and $900m in credit guarantees to the end of February. Farm lobbyists had requested $1bn in credit guarantees.

President Bush has also made available $755m in emergency funding for farm disasters for winter grain producers to cover 1992 harvest losses. That might have been enough before Hurricane Andrew wreaked havoc upon Florida and Louisiana, where damage estimates are at least $3bn.

Meanwhile, some farmers are less than enthusiastic about the North American Free Trade Agreement. The fruit and vegetable growers in Florida failed to receive exemption from the pact.

Institutions increase demand for LME metal

By Kenneth Gooding, Mining Correspondent

A NEW and volatile source of demand for London Metal Exchange metals has arrived because more financial institutions are investing in commodities, according to Mr Phillip Crowson, chief economic adviser at RTZ Corporation, the world's largest mining company.

He says: "Given the size of the metal markets, only a small shift in fund investment could push prices up substantially."

Compared with other financial markets, the LME was relatively small, he said. The total value of all the exchange's metal stocks was only $2.2bn at the start of 1992 and $3.4bn in late August.

"The total cost of buying up existing stocks of some individual metals would be relatively low, although only a portion would be needed to influence the market."

In a paper which RTZ will present to analysts and investment fund managers, Mr Crowson says it has been suggested that the financial institutions start investing in commodities for the first time for ten to 15 years to diversify their portfolios.

"In practice, the prospective returns from price appreciation have appeared considerable when compared with likely returns from alternative assets."

Investment interest has helped to drive LME turnover – which is much greater than the value of its stocks – to record levels this year.

Mr Crowson, who is an LME director, says: "This is fine as long as the institutions pay more than lip service to portfolio asset management, but not if they become mesmerised by patterns of prices on charts.

"The recent experiences of the gold market show the potential dangers of changing investment fashions."

But the development of more complex trading strategies, linked largely to the growth of options markets, and the transfer of precious metals market experience to base metals suggests "there may have been a stepwise change in behaviour.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	−350	to 1,359,650
Copper	+3,000	to 281,800
Lead	+100	to 156,625
Nickel	+300	to 44,[illegible]
Zinc	+450	to 354,075
Tin	−106	to 14,630

Canadian report confirms increased investment abroad at expense of home budgets

Mining ministers come under attack

Canada's mining industry will be giving federal and provincial mines ministers a hard time when the ministers hold their annual meeting in the Yukon this month.

Top of the agenda will be a report on the investment climate in Canada by a government-industry task force. The report, not yet made public, will confirm that Canadian mining companies are cutting exploration budgets at home while increasing investment elsewhere.

"It's not that the bottom is falling out, but there's a drift away from Canada's attractiveness," says Mr George Miller, president of the Canadian Mining Association in Ottawa.

Others are more forthright. Mr Jim O'Rourke, president of Princeton Mining of Vancouver and chairman of the British Columbia Mining Association, complained in a recent speech that "the resource industries of the province have been milked and drained to support costly government programmes and a standard of living which makes our operations uncompetitive in international markets."

Evidence of mining companies' unhappiness with the business climate in Canada is not hard to find. Falconbridge, the big nickel producer, has closed its exploration office in Vancouver and moved five employees and their families to Santiago, Chile. A growing number of junior mining companies listed on the Vancouver stock exchange have their operations outside Canada.

About 40 Canadian mining companies are now active in Chile, helping to make Canada the biggest foreign investor there in 1991. Others have gone to the US, Mexico, Australia, Indonesia and elsewhere. "The exodus is now in full swing," said Mr Robert Holbauer, Cominco's president, in a speech earlier this year.

The discontent is greatest in Ontario and British Columbia, which are both ruled by interventionist, social-democratic governments. By contrast, Mr Claude Drouin, general manager of the Quebec Mining Association, says companies in the francophone province have a "fairly good relationship" with the government. Manitoba recently unveiled incentives, including cash grants, to encourage exploration.

The list of complaints is long, but can be grouped into three main categories: high taxes, lengthy delays in getting projects off the ground, and increasingly rigorous environmental assessments.

The tax burden on mining companies in Canada is among the highest in the world. But the industry is especially critical of a lengthening list of government levies which bear no relation to profits.

These include licensing fees, fuel taxes and the spiralling cost of funding workers' compensation claims. The Ontario Mining Association estimates that its members are exposed to a C$1bn unfunded liability in the province's workers' compensation fund. Muncipalities in the province went a step further recently by suggesting that they be allowed to levy property taxes on underground facilities as if they were on the surface. Sandy Laird, senior vice-president of Placer Dome, the Vancouver-based gold producer, said earlier this year that "the probability is that future changes will increase, not decrease, the tax burden for the mining industry. From the point of view of tax, British Columbia must be counted as a high-risk region."

The industry also frets about long delays in the approval process for new mines without any assurance that, in the end, the projects will be allowed to go ahead. Mr O'Rourke gives the example of a relatively small garnet quarry in British Columbia, where the provincial government has insisted on a study on markets and competitors before it allows construction to proceed.

Placer Dome estimates that the project-approval process lasts an average of more than two years in B.C. compared to about a year in Nevada and Papua New Guinea, six months in Australia and virtually no delay at all in Chile.

"The stonewalling is the worst of it," says a Falconbridge official.

Besides the usual criticism about bureaucratic inefficiency, applications for mining rights are invariably bogged down by environmental concerns and by disputed aboriginal land claims.

"We're not against the environment," says Mr Drouin in Quebec, "but it's difficult to break a rock without creating dust and making a noise."

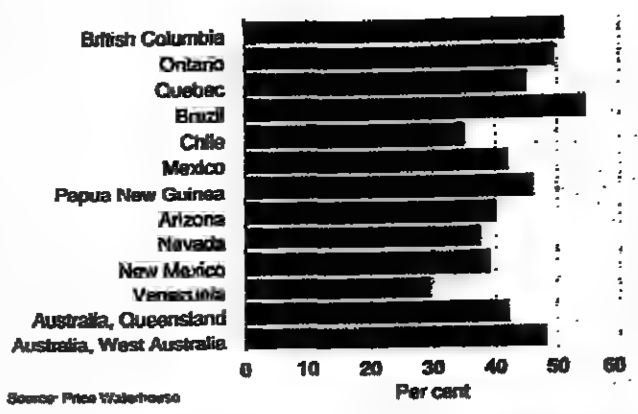
The most bitter battle is taking place over the Windy Craggy property, located amid the spectacular mountains of northwest B.C. Geddes Resources of Toronto has spent some C$50m evaluating what appears to be Canada's biggest copper and cobalt deposit.

But the provincial parks service and environmental groups throughout North America are pushing hard to kill the project before a mine is built.

Mining executives acknowledge that their complaints might be less strident if commodity prices – and therefore profits – were higher, or share prices stronger. According to a Price Waterhouse study, mines in British Columbia, lost C$1.04bn in 1990 and another C$485m last year.

But the companies also say some concerns have little to do with the business cycle. Mr Holbauer said in his last annual report that other countries were seeking to attract mining investment through changes to ownership laws, lower tax rates and minimising red tape.

Mining taxation



Source: Price Waterhouse

Brazil coffee exports fall

By Bill Hinchberger in Sao Paolo

Brazil exported 1.3m sacks of coffee in August, down from 2.2m for the same month last year, according to figures from the Brazilian Federation of Coffee Exporters (FEBEC). Due to record low prices, receipts were off even more sharply, at $64.3m for the month, compared to $151.4m last year.

Despite lower monthly export figures, volume for the first eight months saw a 0.6 per cent increase compared to the same period last year, standing at 11.6m sacks. Again, depressed prices hurt income, down 23.1 per cent. This year's receipts through August were $700.8m, down from $911.5m for the same period in 1991.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,680-1,745 (1,700-1,745).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.25-2.50 (2.30-2.60).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.65-0.85 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 19.00-20.00 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 135-150 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.30-2.35 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.50 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 53-62 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 1.95-2.10 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 8.05 (same).

Indonesian gas offer

By William Keeling in Jakarta

INDONESIA has unveiled a package of incentives to improve the commercial viability of developing gas fields and to entice production companies to explore frontier areas for oil.

The package allows a more rapid depreciation of the capital costs of developing gas fields, while increasing the production companies' share of "equity" gas - the gas produced after the current costs of production have been deducted.

Companies signing new conventional contract areas will receive 35 per cent, up from 30 per cent, of equity gas, with the rest taken by Pertamina, Indonesia's state-owned oil and gas utility. In frontier areas, companies will receive 40-45 per cent of equity gas, depending on water depth.

For companies operating existing contracts the equity split is unchanged, except for deep water frontier areas where the split is increased from 30 per cent to 40 per cent.

The package does not increase the price paid by Pertamina for gas of about $2 per million cubic feet. Oil executives say the price must be raised if sufficient gas is to be developed to satisfy growing demand, mainly from power generators.

India to give tea credit to Russia

By Kunal Bose in Calcutta

THE INDIAN tea industry is expecting the federal government to release a fresh tranche of technical credit of $33m (£17m) to Russia in order to enable it to buy about 19m kg of tea.

The government has acceded to the tea industry's plea to sanction further technical credit following Russia's agreement to supply between 800,000 tonnes and 1m tonnes of crude oil from November.

The Russian buyers will be returning to the auction centres in north and south India next week mainly to buy bolder CTC brokens, orthodox and medium Darjeeling teas.

Since the prices of all varieties of tea fell sharply following the Russian withdrawal from the auctions in the third week of August, their return is expected to boost market sentiment.

Russia, which until its withdrawal had purchased about 16m kg of tea using a technical credit of $32m, is to buy 65m kg of tea this year under the trade protocol.

Although tea sale to Russia has been deadlocked, Indian tea sales for re-export to Russia have increased, according to Mr Vijay Dudeja, spokesman for brokers. Indian tea export to Poland in the current year is expected to be 20m kg, against 12m kg last year.

The Indian tea industry is hopeful of finalising an agreement with Iran shortly for the export of 2.5m kg of packet tea. Iran has already bought 15m kg of bulk tea from India and it is believed India may sell it a further 8m kg of packet tea this year.

Meanwhile, India's tea output in the first seven months of 1992 declined by nearly 28m kg to 326m kg. With high temperatures slowing down tea plucking in Assam and West Bengal, this year's tea crop could be as low as 690m kg, against last year's record crop of 741.7m kg.

UN study says fuel price could rise by 9% next year

WORLD commodity prices are expected to rise about 7 per cent in 1993, while fuel prices could climb 9 per cent, according to a UN study, Reuter reports from Geneva.

However, petroleum prices may be constrained by a potential output increase from new capacity and by quota disagreements in OPEC.

The United Nations Trade and Development Conference (UNCTAD) said in an annual Trade and Development Report that export prices for primary commodities may rise by about 1 per cent in 1992, after falling about 11 per cent last year.

Food prices should prove the firmest, led by higher demand for cereals in central and eastern Europe and in sub-Saharan Africa.

Cotton prices are expected to drop sharply because of record output and moderate consumption this year.

Although prices of mineral raw materials are declining, and are expected to rise only slightly on average in 1993, non-ferrous metal prices are expected to rise steeply after declines this year.

The UNCTAD report said prospects for tin prices appeared "particularly promising if production cutbacks continue".

WORLD COMMODITIES PRICES

MARKET REPORT

A rapid afternoon rally in the dollar caused some irregular price movements in **BASE METALS** on the LME after their generally firmer trend in the morning. The ERM realignment and German interest rate cut reduced upward pressure on European interest rates and raised hopes of economic recovery. But a simultaneous strengthening of the dollar made prices more expensive in local currency terms and buyers, at present, did not appear to be willing to chase. Dealers noted a copper strike threat in Poland and Alcan's potlines reopening, but currency was the main focus of attention. **TIN** moved sharply ahead as short covering triggered buy stops in a thin market. But unless there is a matching gain in Kuala Lumpur, prices could struggle to maintain these levels today. In Chicago **SOYABEANS** were trading sharply higher in late afternoon trading on commission house and fund buying as fears of frost supported the market. New York **COTTON** futures were higher on uncertainty over how much of Pakistan's crop will be lost to widespread flooding. **PRECIOUS METALS** remained steady in Europe as prices continued to consolidate after Monday's sharp gains.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Oct)		+ or -
Dubai	$18.50-8.60z	-0.10
Brent Blend (dated)	$20.45-0.55	-.175
Brent Blend (Nov)	$20.55-0.65	-0.10
W.T.I. (1 pm est)	$22.00-2.05z	-0.05

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$219-221	+1
Gas Oil	$191-192	
Heavy Fuel Oil	$91-93	+1
Naphtha	$190-191	-1.0
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$346.35	-0.20
Silver (per troy oz)♣	382.5c	+3.0
Platinum (per troy oz)	$361.00	-0.75
Palladium (per troy oz)	$90.40	-0.10
Copper (US Producer)	111.5c	+0.5
Lead (US Producer)	40.1c	
Tin (Kuala Lumpur market)	16.60r	
Tin (New York)	309.50c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)	108.21p	-0.07*
Sheep (live weight)†♣	70.38p	-1.87*
Pigs (live weight)†	78.72	-2.47*
London daily sugar (raw)	$246.8w	-3.2
London daily sugar (white)	$274.5w	-7.5
Tate and Lyle export price	£229.5	-1.5
Barley (English feed)	£112.0	
Maize (US No. 3 yellow)	£149.0	
Wheat (US Dark Northern)	Unq	
Rubber (Oct)♥	52.50p	
Rubber (Nov)♥	52.50p	
Rubber (KL RSS No 1 Jul)	221.5m	+2.5
Coconut oil (Philippines)§	$612.5x	
Palm Oil (Malaysian)§	$405.0u	
Copra (Philippines)§	$325.0	-2.5
Soyabeans (US)	£134.5w	-1.0
Cotton "A" index	58.50	+0.20
Wooltops (64s Super)	388p	

£ a tonne unless otherwise stated. p-pence/kg c-cents/lb. r-ringgit/kg t-Oct/Nov w-Sep/Oct y-Oct/Dec u-Oct z-Nov. †Meat Commission average fatstock prices.* change from a week ago ♥London physical. §CIF Rotterdam ♣ Bullion market close m-Malaysian cents/kg ♣Sheep prices are now live weight prices

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Oct	211.00	210.80	210.00	208.80
Dec	202.00	204.80	200.00	
White	**Close**	**Previous**	**High/Low**	
Oct	264.70	265.50	265.20	256.00
Dec	260.00	258.30	260.10	258.50
Mar	262.70	262.50	263.10	261.50
May	265.60	265.30	264.80	264.00
Aug	269.10		268.00	
Oct	259.50	259.80	259.50	259.20

Turnover: Raw 104 (163) lots of 50 tonnes. White 2743 (2058) Paris- White (FFr per tonne): Oct 1330.56 Dec 1316.33

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Nov	20.56	20.70	20.77	20.56
Dec	20.55	20.65	20.70	20.50
Jan	20.48	20.57	20.63	20.48
Feb	20.40	20.29	20.48	20.37
Mar	20.25		[illegible]	[illegible]
IPE Index	20.59	20.40		

Turnover 33487 (37482)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Oct	192.50	193.25	195.00	192.00
Nov	195.00	198.25	198.00	194.75
Dec	197.00	197.75	199.00	196.25
Jan	196.75	197.75	198.50	196.50
Feb	193.25	194.00	195.00	192.50
Mar	187.50	188.00	189.50	187.50
Apr	182.75	184.00	185.50	182.75
May	180.50	181.75	181.75	180.50
Jun	180.75	181.75	181.00	180.75

Turnover 11631 (10492) lots of 100 tonnes

JUTE
September/October C and F Dundee: BTC $370, BWC $385, BTD $335, BWD $345. C and F Antwerp: BTC $345, BWC $345, BTD $325, BWD $325.

COTTON
Liverpool-spot and shipment sales amounted to nil tonnes against 308 tonnes in the previous week.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Sep	589	592	592	
Dec	613	616	617	605
Mar	642	645	647	634
May	661	663	[illegible]	[illegible]
Jul	679	681	679	673
Sep	697	700	702	691
Dec	725	726	728	716
Mar	754	755	755	745

Turnover: 4631 (5952) lots of 10 tonnes
ICCO Indicator prices (SDRs per tonne). Daily price for Sep 14 770.56 (775.32) 10 day average for Sep 15 793.11 (796.46)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Sep	730	737	752	732
Nov	761	746	770	743
Jan	778	765	785	760
Mar	793	779	800	775
May	800	790	802	779

Turnover:4181 (2810) lots of 5 tonnes
ICO Indicator prices (US cents per pound) for Sep 14: Comp. daily 44.95 (45.37) 15 day average 46.20 (46.22)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	54.6	56.8	58.0	54.0

Turnover 184 (62) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Oct	123.00	124.00	120.00
Feb	125.50		125.50

Turnover 7 (0) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Oct	1157	1161	1162	1157
Nov	1160	1170	1165	1160
Jan	1185	1205	1195	
Apr	1260	1315	1260	
BFI		1053		

Turnover 110 (199)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Sep	114.00		114.00	
Nov	115.40	115.35	115.65	115.40
Jan	118.70	118.75	119.00	118.70
Mar	121.05	121.05	122.05	121.[illegible]
May	125.15	125.15	125.15	
Barley	**Close**	**Previous**	**High/Low**	
Sep	109.50		108.80	
Nov	112.85		113.00	112.85
Jan	116.75	116.45	116.75	116.80
Mar	119.50		119.50	

Turnover: Wheat 243 (115). Barley 85 (40). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Mar	101.5		101.0
May	105.0		104.0

Turnover 7 (5) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 43,892 lots
Cash	1273-4	1273.5-4.5		1275-5.5		
3 months	1294-4.5	1295-6.0	1303/1294	[illegible]	1298-9	184,418 lots
Copper, Grade A (£ per tonne)						Total daily turnover 42,540 lots
Cash	1289-90	1279-80	1292	1281-2		
3 months	1314-5	1302-3	1319/1298.5	1307-7.5	1316-7	160,612 lots
Lead (£ per tonne)						Total daily turnover 5,541 lots
Cash	334.5-5.5	335-6	337	336-7		
3 months	342-3	343-3.5	346/343	343-3.5	343-4	38,981 lots
Nickel ($ per tonne)						Total daily turnover 6,294 lots
Cash	7005-10	6925-35		6992-5		
3 months	7075-80	7005-10	7120/7030	7065-6	7080-5	30,104 lots
Tin ($ per tonne)						Total daily turnover 2,452 lots
Cash	6780-5	6670-80		6765-70		
3 months	[illegible]	6725-30	6850/6745	6815-6	6848-50	11,324 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 23,085 lots
Cash	1399-400	1378-8	1390	1380-1		
3 months	1359-60	[illegible]	1370/1355	1365-7	1368-9	66,347 lots

LME Closing £/$ rate:
SPOT: 1.8715 3 months: 1.[illegible] 6 months: 1.8050 9 months: 1.7749

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	346.10-346.60	
Opening	346.10-346.50	
Morning fix	346.20	182.019
Afternoon fix	345.90	182.514
Day's high	346.40-347.00	
Day's low	346.10-346.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.37	6 months	2.36
2 months	2.35	12 months	2.41
3 months	2.34		

Silver fix	p/troy oz	US cts equiv
Spot	199.35	378.50
3 months	204.45	381.25
6 months	209.75	384.20
12 months	220.50	390.95

GOLD COINS

	$ price	£ equivalent
Krugerrand	346.00-348.00	181.00-183.00
Maple leaf	356.35-358.85	-
New Sovereign	84.00-86.00	44.00-45.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1250	35	88	3	13
1300	6	35	24	32
1350	3	16	66	62
Copper (Grade A)	**Calls**		**Puts**	
2350	76	101	5	32
2400	39	71	17	51
2450	15	48	43	77
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
650	113	132	2	4
700	69	90	5	12
750	35	58	24	26
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
525	90	123	2	8
550	69	102	6	10
575	50	84	12	17
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
2000	75		16	
2050	24	55	34	51
2100	24	36	60	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	348.4	348.8	346.0	346.0
Oct	348.9	347.3	347.1	346.2
Nov	[illegible]	347.8	0	0
Dec	348.4	348.8	[illegible]	347.5
Feb	349.9	350.3	350.1	349.3
Apr	351.3	351.7	351.8	351.0
Jun	352.9	353.3	352.7	352.7
Aug	[illegible]	355.0	0	0
Oct	356.3	356.7	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	364.8	361.5	365.5	359.8
Jan	362.9	359.2	363.0	357.5
Apr	361.4	357.8	361.0	356.0
Jul	362.1	358.6	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	380.8	377.1	380.0	376.0
Oct	380.7	377.2	377.5	377.5
Nov	381.5	378.0	0	0
Dec	383.2	379.7	385.5	378.0
Jan	384.5	381.0	0	0
Mar	386.9	383.3	388.5	383.0
May	389.4	385.7	387.5	385.0
Jul	391.7	388.0	391.5	389.5
Sep	394.1	390.4	393.0	393.0
Dec	398.1	394.4	398.0	396.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	106.95	107.45	108.00	106.85
Oct	107.30	107.75	107.50	107.25
Nov	107.65	108.10	108.15	108.10
Dec	107.80	108.45	109.00	107.70
Jan	107.90	108.45	107.80	107.80
Feb	107.90	108.45	0	0
Mar	107.95	108.50	108.70	107.80
Apr	107.[illegible]	108.35	0	0
May	107.50	107.95	108.00	107.50
Jun	107.20	107.65	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.45	9.48	9.52	9.38
Mar	9.08	9.09	9.09	9.00
May	9.07	9.06	9.07	9.02
Jul	9.06	9.05	9.05	9.01
Oct	9.02	9.03	9.05	9.01

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Oct	22.18	22.31	22.27	22.15
Nov	22.02	22.15	22.11	21.98
Dec	21.91	22.04	22.00	21.88
Jan	21.78	21.91	21.89	21.77
Feb	21.64	21.76	21.76	21.64
Mar	21.50	21.65	21.60	21.48
Apr	21.37	21.52	21.43	21.37
May	21.25	21.40	21.31	21.28
Jun	21.14	21.30	21.21	21.10
Jul	21.04	21.20	21.14	21.09

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Oct	6309	6354	6335	6275
Nov	6405	6453	6430	6370
Dec	[illegible]	6539	6520	6460
Jan	6578	6563	6545	6495
Feb	6418	6468	6440	6395
Mar	6175	6206	6190	6150
Apr	5958	5981	5965	5950
May	[illegible]	5821	5810	5780
Jun	5718	5726	5720	5720
Jul	5693	5701	5700	5670

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	966	987	990	966
Dec	997	1017	1022	990
Mar	1046	1070	1073	1044
May	1078	1098	1104	1078
Jul	1107	1127	1128	1110
Sep	1136	1156	1162	1131
Dec	1174	1190	1190	1174
Mar	1211	1228	1233	1208
May	1236	1253	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	51.56	40.95	51.25	49.25
Dec	52.15	51.35	52.70	50.60
Mar	53.80	[illegible]	54.20	52.65
May	57.65	57.30	56.00	[illegible]
Jul	[illegible]	59.20	59.90	58.60
Sep	61.15	60.85	[illegible]	60.75
Dec	64.40	64.00	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	58.65	57.06	58.70	57.05
Dec	55.84	54.68	55.90	55.80
Mar	56.47	55.55	57.00	55.40
May	57.00	56.13	57.36	56.05
Jul	57.75	56.65	58.10	56.70
Oct	[illegible]	57.73	58.20	58.20
Dec	58.85	58.00	59.00	58.05
Mar	58.60	0	58.70	58.70

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	[illegible]	116.05	118.50	116.80
Nov	115.30	112.65	115.40	[illegible]
Jan	114.95	112.30	114.95	112.80
Mar	115.00	112.46	115.25	112.90
May	115.95	113.95	[illegible]	114.00
Jul	115.45	113.40	115.50	[illegible]
Sep	115.45	113.40	0	0
Nov	116.45	113.40	0	0
Jan	115.45	113.40	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Sep 15	Sep 14	mnth ago	yr ago
1531.0	1528.6	1524.5	1637.9

DOW JONES (Base: Dec. 31 1974 = 100)

	Sep 14	Sep 11	mnth ago	yr ago
Spot	118.04	118.03	115.84	117.81
Futures	114.96	114.46	115.65	122.96

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	561/4	554/4	564/0	558/0
Nov	558/6	547/0	556/4	551/2
Jan	564/2	554/2	565/6	559/0
Mar	572/0	562/4	573/4	567/4
May	579/6	570/0	580/0	574/4
Jul	586/2	576/6	587/0	581/4
Aug	587/2	577/6	587/4	584/4
Sep	580/4	572/4	581/0	579/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	19.60	18.71	19.60	18.86
Oct	19.60	18.77	19.61	18.[illegible]
Dec	19.82	19.08	19.85	19.15
Jan	20.09	19.22	20.10	19.36
Mar	20.32	19.46	20.35	19.52
May	20.57	19.75	20.60	19.80
Jul	20.75	19.98	20.75	20.25
Aug	20.91	20.06	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	172.5	170.0	172.8	170.5
Oct	189.6	188.2	190.3	189.0
Dec	189.6	188.0	190.3	188.9
Jan	189.6	188.2	190.2	188.8
Mar	189.5	187.9	190.3	188.5
May	189.5	187.9	190.0	188.8
Jul	190.7	188.8	190.8	189.5
Aug	191.1	190.0	191.1	191.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	226/2	224/0	227/0	225/2
Dec	221/0	217/4	222/0	219/2
Mar	229/4	226/0	230/4	227/6
May	236/0	232/0	236/2	234/2
Jul	240/2	236/6	240/4	238/0
Sep	240/6	237/2	240/6	240/2
Dec	244/0	240/6	244/0	242/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	323/0	321/0	324/4	321/4
Dec	334/0	332/4	335/0	333/0
Mar	340/0	339/2	342/2	339/2
May	335/6	335/4	338/4	335/0
Jul	317/0	317/6	319/0	315/4
Sep	321/6	322/4	324/0	321/4
Dec	334/4	333/0	334/4	334/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	75.825	75.825	[illegible]	75.575
Dec	73.225	73.425	73.600	73.050
Feb	72.375	72.475	72.600	72.350
Apr	73.525	73.500	73.775	73.450
Jun	70.500	70.350	70.675	70.350
Aug	69.075	68.900	69.400	69.075
Oct	68.950	68.925	69.600	68.950

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	40.750	40.700	41.000	40.550
Dec	41.925	42.150	42.175	41.750
Feb	40.575	40.725	40.800	40.500
Apr	38.825	38.850	39.050	38.800
Jun	44.425	44.450	44.550	44.425
Jul	44.350	44.400	[illegible]	44.350
Aug	43.225	43.300	[illegible]	43.225
Oct	40.400	40.400	0	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	40.825	41.600	41.550	40.650
Mar	40.600	41.075	41.400	40.600
May	42.150	42.700	42.450	42.000
Jul	42.400	42.500	42.600	42.250
Aug	41.350	42.350	42.025	41.350

LONDON STOCK EXCHANGE

Equities slide on interest rate fears

By Terry Byland, UK Stock Market Editor

THE OPTIMISM kindled in the UK stock market by the reductions in German interest rates was quashed yesterday by sterling's slide to within a hair's breadth of its permitted ERM low, which brought renewed fears that UK base rates might have to be pushed up sharply to protect the pound. The slide in share prices gathered pace towards the close and the FT-SE Index ended 52.1 down as the market resounded with suggestions that UK rates could be forced higher by two points without waiting for the Maastricht referendum in France this weekend.

City analysts at the leading securities firms were summoned to meetings after trading hours last night. Nerves came in for further testing following reports that Mr John Major, the UK prime minister, had cancelled plans to return to the Continental holiday interrupted by the Bundesbank's actions last weekend, and also by unconfirmed rumours of crisis meetings at either the Bank of England or at Downing Street.

The day's loss on the Footsie wiped out Monday's gain and left the Index at a closing level of 2,370 last night. The big institutions, having taken the opportunity to sell into a firm market on Monday, appeared to be less active yesterday. Seaq volume, which increased towards the end of the session when sterling was challenging its ERM low and the Bank was believed to be supporting the UK currency, totalled 507.3m shares; Monday's Seaq total of 537.9m shares reflected retail business worth £971.7m, still on the low side.

With City analysts and the investment press taking a negative view of the likely effects of the Bundesbank's rate cuts, the UK stock market made a gloomy stary to the day. "The writing was on the wall as soon as we saw the Footsie open six points off after Wall Street had climbed 70 points overnight," commented one leading dealer.

The Footsie 2,400 mark melted away and occasional pauses to test support levels invariably crumbled before the market's negative sentiment. Widespread falls in government bonds and persistent pressure on stock index futures left equities to close at virtually the lowest levels of the day.

Nomura's Nicholas Knight, the spokesman for the bears, described the Bundesbank's actions as no more than an anaesthetic for the financial markets; "the anaesthetic will wear off," he warned clients yesterday morning.

The fear that UK interest rates would be forced higher outweighed other considerations, including Wall Street's strength and even the suggestion of a sterling daveluation which also circulated in the financial markets.

Building and construction shares, the chief casualties from high base rates, gave back all and more of the cautious gains achieved on Monday.

The international stocks brushed aside Wall Street's rally, which was reversed early in the new session when the Dow was 29 points off. BAT Industries, Glaxo and Wellcome were cut back as investors in the London market dived for cover.

Account Dealing Dates		
*First Dealings:		
Sep 7	Sep 21	Oct 5
Option Declarations:		
Sep 17	Oct 1	Oct 15
Last Dealings:		
Sep 18	Oct 2	Oct 16
Account Day:		
Sep 28	Oct 12	Oct 26

*New time dealings may take place from 8.30 am two business days earlier.

CU dips on share sale hints

WIDESPREAD suggestions that Sun Alliance had sold its near 15 per cent stake in Commercial Union were still unproven at the market close yesterday, but many traders believe that such a deal is not far away.

A quiet opening in Commercial Union shares changed dramatically as the stock fell on suggestions that Sun Alliance had sold its CU holding via a bought deal. CU shares dropped from 509p to 490p as a series of rumours swirled around the market early in the session. However, a spokesman for Sun Alliance declined to comment.

One suggestion was that Sun Alliance had sold its holding of around 60m shares to one of the big US investment banks at 470p a share, and that the bank was attempting to place the stock with institutions. Another variation was that Sun Alliance's joint brokers, S.G. Warburg and Cazenove, were attempting a placing of the shares.

However, the Seaq ticker produced no evidence of a large deal in CU shares, which ended the session 27 off at 483p on turnover of 2.9m. Sun Alliance eased 3 to 254p.

Sun Alliance acquired the bulk of its CU shareholding in August 1989 when it bought a 13 per cent stake, some 55m shares, from Adelaide Steamship, the Australian group then controlled by Mr John Spalvins. It paid 465p a share for what has been described as a "long term friendly holding".

Arjo Wiggins shock

Recent worries that Arjo Wiggins Appleton, the paper group, would struggle to achieve half-year profits of £100m, against £135.5m last time, paled into insignificance as the company stunned the market by chopping its interim payment. To make matters worse Arjo said it believed the final dividend would be cut by a similar proportion. The profits figure came to £99m.

The market had braced itself for the steep reduction in interim profits, with estimates said to have been as low as £95m, but none of the London-based analysts had factored in a lower dividend. Dealers said analysts had already begun to hack at their full-year forecasts, with many shaving estimates by upwards of £20m.

Arjo stock was easily the Footsie's and the market's worst individual performer, plunging nearly 30 per cent to close 53 down at 129p, by far the lowest level since the company's June 1990 demerger from BAT Industries.

Gas offers

British Gas gave a notably sluggish display as dealers picked up hints that a number of hefty lines of stock were making an appearance in the market.

There were suggestions that the stock on offer came from institutions that were beginning to question the commercial viability of the transportation of gas from the UK group's joint venture in Khazakstan.

The Khazakstan gas story was behind a good run in British Gas shares earlier this year. By the close, the stock was 4½ off at 230½p on turnover of 6.1m shares.

The big banks moved with the market, Barclays sliding 13 to 310p and Royal Bank of Scotland, where there was exceptionally heavy trading, 8 to 148p.

Legal & General, where the market is still haunted by worries about domestic mortgage indemnity losses, retreated 13 to 317p.

The international/pharmaceutical sectors gave up some of Monday's big gains as the market preferred to focus on the sharp fall on Wall Street in early trading yesterday rather than on renewed weakness in sterling against the dollar. Glaxo settled 14 off at 776p, as did Wellcome, at 867p.

The oil market was brooding over the possibility that yet more earnings downgrades for BP may be on the way. BP shares eased 2 to 202¼p on 6.2m shares. Shell, in spite of the recent good dividend, lost 5½ to 476½p.

Retailing group Kingfisher had a good session after reporting figures at the top end of market expectations. At the day's high the shares were up 11 at 485p, but came back with the market to close unchanged at 474p after volume of 3.6m. Dixons slipped 7 to 223p, with Kleinwort Benson reported to have advised investors to switch out of the stock and into Kingfisher.

Profit-taking left Rank Organisation 14 down at 454p. Motor repair group Kwik-Fit continued to suffer from Monday's release of disappointing half-time figures. The shares shed 7 to 89p, with BZW said to have joined other brokers that have downgraded expectations for the company's full year. Inchcape retreated 11 to 409p on profit-taking.

In the hotel sector, chunky sellers were again seen in Queens Moat Houses, which eased 2 to 34p in trade of 6.2m shares.

Granada Group lost 15 to 220p, with County NatWest reported to be the day's main seller. Turnover came to 4.9m. Thorn EMI ended 13 off at 657p in sympathy with Granada.

USM-quoted travel and tour operator Airbreak Leisure Group plummeted 13½ to 10½p in reaction to Monday's announcement after the market close of interim losses, the passing of the dividend, a profits warning about the full year and the resignation of the chairman and finance director.

Cadbury Schweppes was among a handful of stocks to buck the market trend. The shares firmed 2 to 432p as bid speculation once again did the rounds.

Food retailers were friendless throughout the session, retreating more than the general market in percentage terms. Tesco declined 7 to 208p in trade of 4.7m shares, while Argyll fell 13 to 314p and J. Sainsbury 10 to 426p.

Delta's interim figures disappointed the market, sending the shares plunging 25 to 353p. AB Electronics, after the losses and dividend omission, dropped 10 to 47p.

International conglomerate BTR saw busy trading of 6.8m shares as the stock shed 4 to 444p. It was also active in the traded options market, the equivalent of more than 3m shares being dealt.

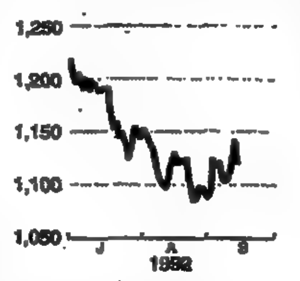
Concern about the outlook for British Aerospace returned to upset the shares, which weakened 15 to 198p.

A profits downgrading sent Simon Engineering tumbling 33 to 138p, making it one of the day's worst performing stocks in percentage terms. Smith New Court cut its current year forecast by £3.5m to £13.4m, citing a lack of recovery in the company's Access operation in the US.

MARKET REPORTERS:
Steve Thompson,
Joel Kibazo.

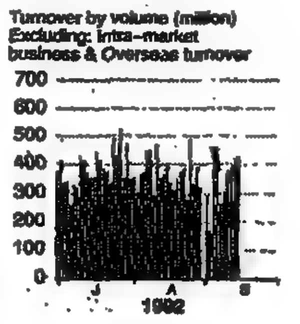
■ Other market statistics, Page 29

FT–A All–Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



FINANCIAL TIMES STOCK INDICES

	Sept 15	Sept 14	Sept 11	Sept 10	Sept 9	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	89.14	90.11	88.82	88.81	88.53	87.38	90.11 (14/9)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	106.34	106.48	105.48	105.36	104.90	96.83	106.48 (14/9)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share●	1725.7	1775.4	1729.9	1707.4	1698.7	2037.9	2149.7 (22/5)	1670.0 (1/9)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	72.5	73.1	68.6	65.0	66.6	155.6	160.6 (10/1)	65.0 (10/9)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2370.0	2422.1	2373.9	2340.8	2327.5	2594.4	2737.8 (11/5)	2281.0 (25/8)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1091.61	1113.61	1076.33	1067.55	1059.86	1174.54	1248.79 (11/5)	1020.56 (25/8)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	5.17	5.06	5.17	5.22	5.23	4.73				
●Earning Yld %(full)	7.44	7.27	17.02	7.51	7.57	7.63				
●P/E Ratio(Net)(☆)	17.03	17.42	15.79	16.96	16.69	18.36				
SEAQ Bargns 5.00pm	18,968	24,614	18,412	16,387	15,399	27,825				
Equity Turnover(£m)†	-	971.7	923.9	930.9	761.7	1265.03				
Equity Bargains†	-	27,095	30,914	18,942	18,548	27,854				
Shares Traded (ml)†	-	439.1	418.7	296.0	387.9	583.6				

Basis 100 Govt Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90 c. Nil 15.79

Ordinary Share Index, Hourly changes — Day's High 1770.8 — Day's Low 1723.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1770.6	1768.0	1756.8	1746.6	1749.5	1750.1	1750.2	1744.3	1727.2

FT-SE 100, Hourly changes — Day's High 2416.1 — Day's Low 2367.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2416.0	2412.4	2400.1	2393.1	2397.0	2397.2	2397.3	2391.2	2373.3

FT-SE Eurotrack 200, Hourly changes — Day's High 1106.83 — Day's Low 1091.61

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1108.61	1104.43	1100.42	1100.34	1099.99	1100.55	1096.50

GILT EDGED ACTIVITY

Indices*	Sept 14	Sept 13
Gilt Edged Bargains	129.3	82.0
5 – Day average	95.6	86.5

*SE Activity 1974
†Excluding intra-market business and Overseas turnover

London report and latest Share index Tel. 0891 123001 Calls charged at 36p/minute cheap rate, 48p/minute at all other times

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

IT WAS another heavy trading session in the derivatives market yesterday. This time, however, sentiment turned sharply into reverse as sterling fell and the City of London flinched at the possibility that UK base rates might have to rise after all. Traders in stock index futures, where the premium on the December over the September contract remained at recent levels, said there was no heavy selling. "It was more like Chinese torture," commented one.

By the close, futures traders agreed with their colleagues in the stock market that the odds were now heavily on a rise in UK interest rates. Turnover in September totalled 17,634 contracts and the price slid in tandem with the FT-SE Index itself, closing at 2,363, a discount of about seven points. September expires on Friday and dealers were again busy rolling positions over into the December quotation.

In traded options, turnover remained high, at 33,293 contracts, albeit slightly under Monday's total. The FT-SE option attracted good business, recording 15,459 contracts, and the Euro-FT-SE was also active, on 1,313 lots.

BTR, regarded as vulnerable to higher interest rates, topped the actives list with 3,511 contracts dealt.

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Tuesday September 15 1992

Figures in parentheses show number of stocks per section

FIXED INTEREST

AVERAGE GROSS REDEMPTION YIELDS

FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (15).
AMERICANS (3) Chrysler, Hasbro, Varity, BREWERS (1) Taunton Cider, CHEMS (1) Engelhard, INSCE BROKERS (1) Alexander & Alex., INSCE LIFE (1) Torchmark, INV TRUSTS (2) Malaysia Cap., World

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS - Cont.

OTHER FIXED INTEREST

LEGAL NOTICES

EVERGREENS OF KESWICK LTD

NOTICE IS HEREBY GIVEN, pursuant to Section 98 of the Insolvency Act 1986, that a Meeting of Creditors of the above-named Company will be held at the offices of Latham Crossley & Davis, ... at 11.30 am, for the purposes mentioned in Sections 99, 100 and 101 of the said Act. ... A T Wood, FCA of Latham Crossley & Davis, ... Manchester, ... is appointed to act as the qualified Insolvency Practitioner who will furnish creditors free of charge with such information as they may reasonably require pursuant to Section 98(2)(a).
By Order of the Board.
LOUISE FISHER, Director.
Dated 1st September 1992.

Registered No: 1185046 Registered in England
VIGGARS MARKETING SERVICES LIMITED (IN RECEIVERSHIP)
NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the creditors of the above named Company will be held at Cork Gully, 6 Greyfriars Road, Reading, Berkshire RG1 1JG at 10.00 am on Thursday, 24 September 1992 for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under Section 48 of the functions conferred of creditors' committees by or under the Act. A proxy is sent herewith. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if: (a) they have delivered to me at the address below, no later than 1200 hours on 23 September 1992, written details of the debts they claim had been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and (b) there has been lodged with me any proxy which the creditor intends to be used on his behalf. Please note that the proxy signed on or behalf of the creditor must be lodged at the address mentioned; photocopies (including fax copies) are not acceptable.
Signed I M Iredale Joint Administrative Receiver Date 3 September 1992. Address to which proxies should be delivered: I M Iredale, Cork Gully, 6 Greyfriars Road, Reading, Berkshire RG1 1JG

COMPANY NOTICES

BRADFORD & BINGLEY

£200,000,000
Floating Rate Notes due 1995

In accordance with the terms and conditions of the Notes, the interest rate for the period 15th September, 1992 to 15th December, 1992 has been fixed at 10.54063% per annum. The interest payable on 15th December, 1992 against the Coupon 8 will be £264.56 per £10,000 nominal.

Agent Bank
ROYAL BANK OF CANADA

ART GALLERIES

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs h	16¼xd	—	19⅛	14⅝	13,880	1.9
Allegheny & W	319p	+6	339p	228p	161.1	5.1
Amdahl	793p	+39	1158p	642p	888.5	0.7
Amer Cyanamid	31¾	+1⅛	37	28⅝	2,882	2.7
Amer Express	11¹³⁄₁₆xd	+⅜	13⅝	10⅞	5,870	4.4
Amer T & T	23⅝xd	+⅞	24⅞	20⅛	31,418	2.9
Ameritech	36	+⅜	36¹¹⁄₁₆	32½	15,762	5.1
BankAmerica	28½xd	+⅞	27⅛	19⅞	8,851	2.9
Bankers NY	33½xd	+½	37¼	28⅞	2,776	4.0
Bell Atlantic	25½	+¼	28¾	23⅛	10,977	5.3
BellSouth	27¼	+⅛	29⅛	25	13,322	5.3
Bethlehem Steel	6¾xd	+¼	9⅝	5¾	598.3	–
Bowater	1077pxd	+37	1579p	905p	388.3	5.8
CPC h	26¼xd	–¼	26½	22⅜	3,975	2.4
Cadiz Land Inc	128p	—	342p	128p	–	–
Campbell Soup	20½xd	–¼	23⅞	17⅜	6,145	2.0
Chase Manhattan	12⁷⁄₁₆xd	+¼	16½	9⅛	1,721	5.2
Chrysler	11⅞xd	+⅛	11⅞	6¼	3,472	2.6
Citicorp	8½xd	—	11¾	5⅜	2,981	–
Colgate-Palm	29⅛xd	–⅛	30⅞	25¼	4,705	2.2
Cont'l Bank	885p	+47	1036p	499p	894.3	3.5
Dana	20⅞xd	–⅛	24½	14⅞	957.1	4.0
Data General	548p	+48	1004p	384p	161.2	–
Decora Inds	118p	—	122p	66p	–	–
Dun & Brad	30⅛	+½	33½	27⅝	5,378	4.0
Eaton	42¼	+1⅛	46½	32½	1,458	2.7
Echlin	10½xd	+¼	11	7⅜	603.9	3.6
FPL	18⅝xd	–⅛	20	17⅞	3,384	6.9
Fluor	23⅜	+⅞	27	19¼	1,895	0.9
Ford Motor	22½xd	+1⅛	28⅛	15	10,924	2.3
Gen Elect	40⅝xd	+1⅛	46¼	38¼	34,786	3.0
General Host	381p	–8	555p	380p	–	3.7
Gillette	30¼xd	–½	30⅝	23⅞	6,008	1.3
Hasbro	18	+½	18	12⅜	1,551	0.6
Honeywell	35½	—	43	32	2,478	2.4
Houston Inds	23½	+¼	25	22	3,043	6.7
IBM	48⅛xd	+⅛	54½	42¼	28,487	5.5
Ingersoll-Rand	15⅞	+⅞	19⅞	12⅞	1,649	2.3
Lockheed	25½	+⅞	28⅞	22⅜	1,564	4.4
Lowe's h	898p	+60	1273p	815½p	654.8	1.6
Merrill Lynch	28⅛xd	+⅝	30⅞	24⅜	2,982	2.2
Morgan (JP)	32¾	+¼	37½	28⅞	6,234	3.5
Morris (Philip)	44⅞xd	–⅛	45⅞	37⅞	40,998	2.0
NYNEX	44	+1	44⅝	39⅝	9,080	5.5
Pall	15⅜	+⅛	17⅞	10⅞	1,348	1.2
Pennzoil	28⅝xd	–⅝	30¼	23⅛	1,182	5.5
Quaker Oats	33¼xd	–⅝	40⅞	28	2,522	3.0
Rockwell	13⅞xd	–⅛	15⅞	11½	3,049	3.5
Rop NY	21⅞xd	+⅛	26⅞	20⅞	1,141	2.4
Sears, Roebuck	21⅝xd	–⅛	28	19⅞	7,459	4.8
Sthwestern Bell	36	+⅞	35⅞	31⅝	10,595	4.4
Sun Co	18⅛xd	—	18⅞	12⅛	1,393	7.3
Tenneco	19⅞xd	–⅛	25⅞	16½	2,497	4.2
Texaco	33⅞xd	–⅛	36⅝	30⅞	8,774	4.9
Time Warner b	14⅝xd	+¼	15½	11½	5,422	1.0
Unitab	337p	—	587p	320p	313.0	–
URS Intl 1c	8½p	—	1¼p	0¼p	1.81	–
US West	19¾	—	21⅞	18¼	6,147	6.6
Varity	1143p	+65	1143p	632p	285.2	–
Waste Manage	18⅞xd	—	28	16⅞	9,322	1.6
Whirlpool	2128pxd	+60	2786p	1765p	1,480	2.7
Woolworth	16¼	+¼	18¼	13¼	2,184	3.5

CANADIANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbot Energy	1¼p	—	3p	1¼p	–	–
Amer Barrick	1619p	+67	1649p	1209p	8,881	0.3
Bk Montreal	20⅝	+¼	23¼	19¼	2,609	4.3
Bk Nova Scot	1165p	+29	1176p	899p	2,181	4.2
BC Gas	677p	–12	870p	621p	–	3.7
BCE	20	+½	24½	18⅞	6,286	6.5
Brascan	689p	+38	887p	704p	881.1	5.2
Breakwater	18p	+1	33p	8p	11.4	23.4
Can Imp Bk	1311p	+35	1810p	1157p	2,499	4.2

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+or -	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv		153	-1	170	147	3.8	188.8	17.8
Warrants		22	-1	30	21	-	-	-
Scot Mortgage		142	-3	187	135	3.7	167.0	14.7
Scot National Inc		67½	-1½	107	67½	12.8	-	-
Cap		17	-1	42	12½	-	-	-
Stepped Pf		137½xd	-½	142	126	8.8	-	-
Zero Div Pf		184½	-½	187½	168½	-	-	-
Warrants		3		[illegible]	3	-	-	-
Scot Value		[illegible]		64	48	4.7	57.6	0.7
Sec Alliance		1141	+4	1283	1065	4.2	1275.4	10.4
Second Market		236		244	222	0.8	288.8	17.5
Sec Tst Scot		62½	-2	75½	61½	4.9	65.6	4.3
Select Assets		82		102½	78½	1.4	123.7	33.7
Eq Ind Sert		108	-1	123	108	8.2	-	-
Eq Ind Sert		108	-4	122	108	6.2	-	-
Shires		194xd	-3	249	193	12.8	187.4	-4.1
11pc Cv Ln '03/04		£140½	-1	£119½	£95½	10.8	-	-
Siam Select		48	+1	77	68	5.8	102.5	33.2
Warrants		18		21	18	-	-	-
Smaller Cos		66		95	66	5.1	76.3	14.9
Warrants		11		28	10	-	-	-
Somerset Tst		122		140	55	-	80.4	-51.7
Sphere Inc		10½		30	9¾	30.4	14.1	28.7
Zero Div Pf		65½	-½	77¾	65	-	-	-
Somil		31		55	30	8.4	91.9	66.8
TR City of Lon		186	-1½	127½	97½	5.8	102.8	-3.1
TR Euro Growth		73xd		90	70	2.5	92.7	21.1
Ptg Sub		36xd		54	34	8.1	-	-
TR Far East Inc		88	-1	95	76	8.8	95.4	8.9
Warrants		14		12	12	-	-	-
TR High Inc		87		110	91	8.2	84.4	-2.3
Sub		22		38	21	3.1	-	-
TR Pacific		73	+1	90	70	8.5	87.6	17.5
TR Prop		16	-½	27	14¾	12.8	27.8	40.3
TR Smaller		100	-2	162	100	4.9	122.1	17.3

MEDIA - Cont.

	Notes	Price	+or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
VTR		44	-2	65	44	3.22	10.3	11.2
WPP		31		116	31	60.4	-	-
Warrants		3		8½	1½	8.18	-	-
Watmoughs		403	+8	420	301	145.5	3.2	19.2
Yorkshire Tyne-T		148		181½	145	73.8	10.8	5.3

MERCHANT BANKS

	Notes	Price	+or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
Ansbacher (H)		31		34	26	57.9	-	-
Brown Shipley 8pc Cn 2nd Pf		90	+½	100	83½	12.3	10.8	-
9¾pc Non-Cum Pf		110	-½	125	103¼	47.8	10.9	-
Brown Shipley		48		204	49	7.82	-	-
Close Bros		205		237	205	78.8	5.7	9.2
Hambros		211	+1	292	202	386.8	8.7	7.7
7½pc Cv Pf		98xd	-½	118	97½	140.8	10.4	-
Joseph (L)		308		333	300	18.2	6.9	-
Kleinwort Benson		226	-4	324	212	388.4	11.1	28.6
Rea Bros		28		37	25	11.4	2.3	-
Schroders		1160	-2	1365	1043	594.1	2.1	13.5
N/V		980	-5	1158	[illegible]	126.4	2.5	11.2
Singer & Fried		38		59	34	68.9	9.5	7.7
Warburg (SG)		447	-7	586	403	985.1	5.4	9.0
6pc Cv Pf		151	-1	204	137	84.2	5.3	-
Wintrust		208	-2	228	208	17.8	6.0	8.8

METALS & METAL FORMING

	Notes	Price	+or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
ASW		56	-1	165	56	37.4	‡	10.0
Apollo Metals		98	-1	147	98	11.3	4.7	18.7
Ash & Lacy		135	-1	188	135	38.8	6.8	10.3

OIL & GAS - Cont.

PACKAGING, PAPER & PRINTING - Cont.

STORES - Cont.

MINES - Cont.

TELEPHONE NETWORKS

PROPERTY

TEXTILES

MISCELLANEOUS

INVESTMENT COMPANIES

OTHER FINANCIAL

TRANSPORT

OTHER INDUSTRIAL MATERIALS

MEDIA

WATER

SOUTH AFRICANS

PLANTATIONS

MOTORS

STORES

MINES

PACKAGING, PAPER & PRINTING

OIL & GAS

GUIDE TO LONDON SHARE SERVICE

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

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هكذا من الأصل

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128

Societe Generale Touche Remnant (1600)F

Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250

4 Hourly Pricing – 12 Noon Historic

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Gwth	5¼	53.66	53.66	57.39	+1.01	0
Eur Sp Sits Acc	5¼	36.30	36.30	38.66	+0.32	0
Eur Sp Sits Inc	5¼	34.78	34.78	37.04	+0.30	0
Far East Opps Inc	5¼	20.19	20.19	21.78	+0.32	0
Far East Opps Acc	5¼	20.69	20.69	22.32	+0.33	0
General Growth	5¼	75.86	75.86	81.66	-1.29	3.79
General Growth Acc	5¼	77.13	77.13	83.02	-1.22	3.79
Global Tech	5¼	80.63	80.63	86.99	+1.27	0
Income Growth	5¼	73.60	73.60	79.26	-1.34	5.66
Income Growth Acc	5¼	73.60	73.60	79.26	-1.33	5.66
Income Monthly	5¼	42.91	42.91	45.89	-0.39	6.97
Japan Growth	5¼	50.92	50.92	54.11	+0.46	0
Overseas Growth	5¼	54.89	54.89	58.50	+0.38	0
Smaller Cos	5¼	52.05	52.05	55.96	-0.21	3.50
Special Opps	5¼	67.45	67.45	72.52	-0.39	3.73
Wwide Sp Sit Acc	5¼	31.25	31.25	33.64	+0.33	0
Wwide Sp Sit Inc	5¼	31.18	31.18	33.76	+0.33	0
SGTR Pension Portfolio						
American Growth	6	32.14	32.66	34.62	+0.61	-
Eur Sp Sits	6	29.18	29.53	31.30	+0.26	-
General Growth	6	27.74	28.36	30.07	-1.44	-
Global Tech	6	31.58	32.37	34.31	+0.50	-
Income Growth	6	24.68	25.25	26.77	-0.44	-
Japan Growth	6	15.94	16.09	17.06	+0.15	-
Managed Equity	6					
Overseas Growth	6	23.78	24.08	25.53	+0.17	-
Smaller Cos	6	13.25	13.54	14.35	+0.17	-
Special Opps	6	15.51	15.83	16.78	-0.09	-
Stlg Liquidity	6	33.86	34.45	35.89	+0.08	-
Wwide Sp Sits	6	25.39	26.12	27.69	+0.27	-

Sovereign Unit Tst Mngrs Ltd (1000)F

12 Christchurch Rd, Bournemouth 0202 298422

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Cash	1	50.89	50.89	51.39	+0.02	10.00
Capital Prfmnce	5¼	47.99	48.30	51.51	+0.06	9.1
Ethical	5¼	40.74	41.74	44.40	+0.02	5.6
European Growth	5¼	46.25	46.35	49.44	+1.16	3.5
Income	5¼	40.97	41.40	44.15	-0.01	8.5
Intl Growth	5¼	60.90	62.76	65.34	+0.86	3
Managed	5¼	32.47	33.11	36.65	+0.29	4.6
UK Growth	5¼	42.56	43.20	46.07	-0.01	6.6

Standard Chartered Equitor (1200)F

Edinburgh Fund Mngrs PLC

Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Sep 16	131.5	137.0	+2.1	3.83
Japan Sep 10	74.96	77.02	+2.02	0.65
Sm Jap Cos Sep 11	341.9	351.3	+4.1	0.14
Latin American Sep 15	80.73	84.76xd	+1.04	0.59

Fidelity Investment Services Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Exempt American Portfolio	102.0	103.5	+1.60	0.00
Mngd Pens P'tfolio	128.6	132.7xd	-0.10	2.25

Fledgeling Charity Portfolio

25 Copthall Avenue EC2R 7DR 071-638 5858

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity	£0.9497	0.9816	+0.0174	5.32
Bond	£0.9805	1.0036	+0.0150	9.44

Robert Fleming Asset Mngmt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Am Exempt	£466.30	473.04	+14.65	1.45
Gen Exempt	£119.33	121.86	+2.81	4.68
Jap Exempt	£349.46	354.14	+9.51	1.29
Pacific Exempt	£105.95	108.38	+4.01	2.00
Contl Euro Exempt	£97.41	99.27	+2.32	2.54
Indexed Exempt Sep 10	£115.51	118.38	-	5.09
Amer Indxd Expt Sep 10	£97.13	98.10	--	2.90
Japan Indxd Exp Sep 10	£48.22	49.19	-	1.05
Euro Indxd Exp Sep 10	£87.89	89.66	-	9.46
O'seas Indxd Exp Sep 10	£87.35	89.24	--	2.38

Foreign & Colonial Unit Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Balanced Acc Sep 8	143.6	149.5	(u)	4.13
Balanced Inc Sep 8	143.6	149.5	(u)	4.13

Funds in Court*

	Bid Price	Offer Price	+ or -	Yield Gross
Capital Aug 27	443.60	446.95	--	3.92
Gross Aug 27	164.79	166.12	--	12.64
High Yield Aug 27	254.29	256.32xd	--	9.62

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Pensions Mngd	50.21	51.23	-0.26	3.83

INVESCO MIM Management Ltd

Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Mngd P'Folio	1065.0	1146.0		-
Mngd Pens (Acc)	64.5	68.8	-	-

Lazard Brothers & Co. Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Property Sep 3	£2125.0	2380.0	----	7.00

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Bid Price	Offer Price	+ or -	Yield Gross
Pearl Assurance (Unit Funds) Ltd				
Lynch Wood, Peterborough PE2 6FY			0733 470470	
Property Dist. (Gross)	135.2	142.3	..	-
Property Acc. (Gross)	257.6	271.2		-
Equity (Gross)	810.6	853.3	-0.3	-
Managed (Gross)	583.6	614.3	+2.5	-
Property Acc. (Net)	123.2	129.6		-
Equity (Net)	189.3	199.2	-0.1	-
Adventurous Managed	88.8	93.5	+1.8	-
Managed (Net)	180.7	190.2	+0.8	-
Cautious Managed	97.5	102.7	+1.2	-
International (Net)	158.6	167.0	+0.7	-
Gilt & Fixed Interest	143.7	151.3	-0.1	-
Money Fund	141.8	149.3	+0.1	-
Mixed Fund (Cap)	108.8	114.6	.....	-
Mixed Fund (Acc)	113.7	119.7	.....	-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	634.7	668.2	+1.0	-
Ret Man (Series 2)	215.2	226.6	+0.3	-
Ret Cash	201.0	211.6	+0.1	-
Pens Mixed Fd (Cap)	120.1	126.5	-	-
Pens Mixed Fd (Acc)	125.5	132.2	...	-
Pens Stlg Fd (Cap)	104.8	110.4	...	-
Pens Stlg Fd (Acc)	109.5	115.3	...	-
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath			0444 458721	
American	127.0	134.0	+1.0	-
Building Soc. Fd	225.0	237.0	.....	-
Balanced	244.0	257.0	-1.0	-
European	204.0	215.0		-
GT Managed	174.0	184.0	+1.0	-
Gartmore Mngd	117.0	124.0	+2.0	-
German	125.0	132.0		-
Gilt	163.0	172.0	-2.0	-
Global	35.0	37.0	...	-
International Equity	181.0	191.0	...	-
Japan	152.0	160.0	+1.0	-
Leisure	47.0	50.0	...	-
Managed	38.0	40.0	.....	-

	Bid Price	Offer Price
Prudential Corporate Pension Funds		
1 Stephen St, London W1P 2AP		
Prudential Managed Funds		
Discretionary Sep 9	£173.03	
Equity Sep 9	£195.66	
International Sep 9	£125.01	
Intl Bond Sep 9	£114.01	
Fixed Int Sep 9	£105.77	
Index Linked Sep 9	£73.93	
Property Sep 9	£110.37	
Cash Sep 9	£131.3014	
Pre-Linked Retirement Plan		
Managed Sep 1	409.5	
Cash Sep 1	287.7	
Prudential Pensions Investment Account		
Pens Mixed Sep 15	170.8	
Pens UK Eq Sep 15	295.9	
Pens Intl Sep 15	189.6	
Pens Global Eqty Sep 15	94.5	
Pens Fixed Sep 15	242.1	
Pens Index Lk Sep 15	190.7	
Pens Property Sep 15	89.2	
Pens Cash Sep 15	188.0	
Money Purchase Plan		
Discretionary Sep 14	93.9	
Equity Sep 14	96.3	
International Sep 14	82.8	
Global Equity Sep 14	92.1	
Intl Bond Sep 14	97.4	
Fixed Interest Sep 14	111.7	
Index Linked Sep 14	99.7	
Property Sep 14	99.7	
Cash Sep 14	107.3	
Prudential Individual Life Funds		
1 Stephen St, London W1P 2AP		
Series I Life Funds		
Managed	558.6	
Equity	1126.6	
Fixed Interest	497.6	
Property	391.3	

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

هكذا من الأصل

هكذا من الاصل

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128

Garbmore Fund Managers (IoM)

Leopold Joseph Fund Mngrs (IoM) Ltd

Mercury Fund Managers IoM Ltd

Sun Life Management (IoM) Ltd

Unibank Scandinavian Fund Ltd

ISLE OF MAN (REGULATED)(**)

Equitilink International Mngt Ltd

Fidelity Investment (CI) Ltd

Fleming Group

Foreign & Colonial Mngt (Jersey) Ltd

Commercial Union Luxembourg SA – Contd.

Midland Internatl Circuit Fund SICAV(a)

Nomura Global Fund (a)

Norwich Union Intl Portfolio (a)

Europe Value Fund (a)

Eurôptec (a)

Fidelity Intl Inv Mngt (Luxembourg) SA

Fidelity Investment (CI) Ltd

The First Korea Smaller Companies Fund

Aetna Malaysian Growth Fd (Cayman) Ltd

Alliance Capital

Asian Convertibles & Income Fd (Cayman)

Austro-Hungary Fund Ltd

BEA Associates

Global Asset Management

North Star Fund Managers – Contd.

Northfield International Ltd

Odey Asset Management Limited

Old Ironsides International Ltd

Omega Overseas Partners Ltd

Optima Fund Management

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling at record ERM low

BOTH STERLING and the Italian lira came under intense pressure against the D-Mark yesterday as dealers had second thoughts about the weekend realignment, *writes James Blitz*.

On Monday, foreign exchange dealers had been impressed by the Bundesbank's cut in interest rates and the suggestion that they may have peaked. But there was a conviction yesterday that the 7 per cent devaluation of the lira had been too small and that a No vote in Sunday's French referendum on Maastricht would trigger another cut.

The lira took a 2½ per cent fall against the D-Mark, dropping through its central rate and bottoming out at L811. Mr Mark Austin, chief economist at Hongkong and Shanghai Banking in London, said: "Big investment funds were hit by the devaluation and said to their banks: just get me out of Italy at any price."

The lira closed in London at L805.8 per D-Mark, against a previous L793. Its drop was echoed by the Spanish peseta, which fell through the central rate of Pta65 to the D-Mark that the Bank of Spain has been defending aggressively for months. There was similar pressure on the Swedish krona, which ended at SKr3.685 to the D-Mark from a previous close of SKr3.682.

Particular uncertainty hovered around sterling, which fell to a new low since Britain joined the ERM in October 1990 of DM2.7800, just 0.2 pfennig above its floor. The pound was initially undermined because the fall of the lira, technically the strongest ERM currency on Monday night, lowered the floor to which the weakest could fall. As so often in recent months, this triggered selling, not by interbank speculators, but from big institutions such as pension funds that are hedging themselves against a possible devaluation.

The impact of this hedging may be less detrimental for sterling in the longer term because there is far less hot money invested in the pound than there is in high-yielding currencies such as the lira and peseta. But the announcement that the UK prime minister was cancelling a planned trip to Spain and newspaper reports that the German government had put pressure on Britain to devalue shook sterling further.

The Bank of England intervened covertly in the market, with one analyst saying his bank had seen around £50m bought. The pound closed 3¼ pfennigs down at DM2.7800.

In marked contrast to the EMS currencies, the dollar fared relatively well against the D-Mark. It was hit at the start of US trading by a fall in US August retail sales of 0.5 per cent, the largest in five months. But July's rise was revised upwards by 0.5 per cent, cancelling this out. The dollar was unchanged on the day in London at DM1.4855. In New York it rose to DM1.4915.

£ IN NEW YORK

Sep.15	Close	Previous Close
£ Spot	1.8620-1.8630	1.8940-1.8950
1 month	1.18-1.17pm	1.10-1.08pm
3 months	3.37-3.35pm	3.27-3.24pm
12 months	12.5-12.4pm	11.9-11.8pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep.15	Previous
8.30 am	91.6	91.2
9.00 am	91.5	91.3
10.00 am	91.4	91.3
11.00 am	91.3	91.6
Noon	91.3	91.6
1.00 pm	91.1	91.6
2.00 pm	91.0	91.4
3.00 pm	91.0	91.4
4.00 pm	90.9	91.6

CURRENCY RATES

Sep 15	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	-	0.761952	0.723941
U.S Dollar	3.00	1.44847	1.37259
Canadian $	4.93	1.75497	1.67045
Austrian Sch	8.25	15.0641	14.2146
[illegible]	[illegible]	[illegible]	[illegible]

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Sep.14

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

Sep 15	£	$
Greece	345.750 - 351.300	181.510 - 184.410
Hong Kong	14.5710 - 14.5885	7.7300 - 7.7310
Iran	2820.00*	1430.00*
Korea(Sth)	1481.05 - 1505.00	782.90 - 789.10
Kuwait	0.55600 - 0.55700	0.29470 - 0.29520
Luxembourg	57.20 - 57.30	30.55 - 30.65
Malaysia	4.7320 - 4.7440	2.5110 - 2.5120
Mexico	5655.00 - 5667.45	3094.00 - 3095.00
N.Zealand	3.4600 - 3.4635	1.8340 - 1.8360
Saudi Ar.	7.1170 - 7.1240	3.7495 - 3.7505
Singapore	3.0070 - 3.0145	1.5955 - 1.5965
S.Af (Cm)	5.2680 - 5.2805	2.7920 - 2.7940
S.Af (Fn)	7.1865 - 7.2280	3.8095 - 3.8315
Taiwan	47.65 - 47.85	25.25 - 25.35
U.A.E.	6.9685 - 7.0460	3.6715 - 3.6735

*Floating rate. Iran Official rate £122.55 $61.80

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 15	% Change from Central Rate	% Spread v Weakest Currency	Divergence Indicator
Belgian Franc	42.0639	41.6204	-1.05	5.83	31
Dutch Guilder	2.29789	2.27466	-1.01	5.79	30
D-Mark	2.03942	2.01977	-0.96	5.74	35
Italian Lira	1636.61	1620.89	-0.96	5.73	27
Spanish Peseta	132.562	131.372	-0.90	5.67	16
Irish Punt	0.761276	0.759177	-0.28	5.01	-6
Danish Krone	7.77921	7.78535	0.08	4.63	[illegible]
Portuguese Escudo	177.305	177.586	0.16	4.55	-3
French Franc	6.83992	6.85610	0.24	4.47	-36
Sterling	0.691328	0.723941	4.72	0.00	-90

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sep 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Sep 15	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

Sep.15	£	$	DM	Yen	F Fr.	S Fr.	N Fl.
£	1	1.871	2.780	232.5	9.437	2.460	3.130
$	0.534	1	1.486	124.3	5.044	1.315	1.673
DM	0.360	0.673	1	83.63	3.395	0.885	1.126
YEN	4.301	8.047	11.96	1000.	40.59	10.58	13.46
F Fr.	1.060	1.983	2.946	246.4	10.	2.607	3.317
S Fr.	0.407	0.761	1.130	94.51	3.836	1	1.272
N Fl.	0.319	0.598	0.888	74.28	3.015	0.786	1
Lira	0.446	0.835	1.241	103.8	4.213	1.098	1.397
C $	0.439	0.821	1.220	102.0	4.141	1.079	1.373
B Fr.	1.747	3.268	4.856	406.1	16.48	4.297	5.467
Pta	0.552	1.033	1.535	128.4	5.211	1.358	1.728
Ecu	0.723	1.352	2.009	168.0	6.819	1.777	2.262

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

CHICAGO

[illegible]

PARIS

[illegible]

Estimated volume 71,815 † Total Open Interest 618,584
† All Yield & Open Interest figures are for the previous day.

POUND - DOLLAR

[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	10	Crédit Lyonnais	10	McDonnell Douglas Bnk	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Dao Heng Bank Plc	11	Mount Banking	10
● Henry Ansbacher	10	Duncan Lawrie	10	NatWestminster	10
B & C Merchant Bank	10.5	Equatorial Bank plc	10	Northern Bank Ltd	10
Bank of Baroda	10	Exeter Bank Limited	10.5	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	Financial & Gen. Bank	10	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptrs.	10.5	Roxburghe Bank Ltd.	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	Habib Bank AG Zurich	10	Standard Chartered	10
Barclays Bank	10	● Hambros Bank	10	TSB	10
Brit Bk of Mid East	10	Hampshire Trust Plc	13.5	Unibank plc	10
● Brown Shipley	10	Heritable & Gen Inv Bnk	10	● United Bk of Kuwait	10
CL Bank Nederland	10	● Hill Samuel	10	Unity Trust Bank Plc	10
Citibank NA	10	C. Hoare & Co.	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Co-operative Bank	10	● Leopold Joseph & Sons	10		
Coutts & Co	10	Lloyds Bank	10		
		Meghraj Bank Ltd	10		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Rates rise sharply

THE BULLISHNESS that dominated Monday's trading in both the sterling cash and futures markets was reversed yesterday as sterling slumped to a new post-ERM entry low of DM2.7800 against the D-Mark.

The pound's fall pushed rates in the sterling cash market up to levels which could be incompatible with 10 per cent base rates for long. There were rumours last night that clearing banks were in discussion with the Bank of England.

UK clearing bank base lending rate 10 per cent from May 5, 1992

The one-month sterling cash rate finished at 10⅛ per cent on the offered side, up from a previous close of $10\frac{1}{16}$ per cent. Clearing banks are currently lending money at 10 per cent, but if the rate at which they borrow from each other stays at the 10⅛ per cent level for long they will ask the Bank to signal a rate rise.

Three-month money, an important indicator of where the market thinks rates are moving, ended at 10¾ per cent on the offered side, ½ percentage point up from the previous close of 10¼ per cent on Monday night.

One clearing bank dealer said that the UK government could probably withstand a rise in UK base rates this week, but that all would depend on the outcome of the French referendum on Sunday. However, in the longer term, he felt that the UK's economic problems would leave sterling weak.

The December short sterling contract dropped 65 basis points from its previous close, bottoming out at 89.09. This was still above the record low of 89.00 that it reached on August 25, but discounted a full percentage point increase in base rates.

Because the tension in the markets came in the afternoon, traders were relaxed about removing the £950m shortage forecast in the morning.

The Bank of England bought £5m of Band 1 Treasury bills at 9⅞ per cent, £5m of Band 3 bank bills at 9¾ per cent, £43m of Band 4 bank bills at $9\frac{11}{16}$ per cent and £20m in a repurchase agreement at $9\frac{13}{16}$ per cent.

The forecast was revised to £900m and the Bank purchased £9m of Band 1 bank bills, £28m of Band 3 bank bills and £19m of Band 4 bank bills. In the afternoon, the Bank bought £200m of Band 1 bank bills, £1m of Band 3 Treasury bills, £13m of Band 3 bank bills, £1m of Band 4 Treasury bills, £27m of Band 4 bank bills, and £600m in a repo.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

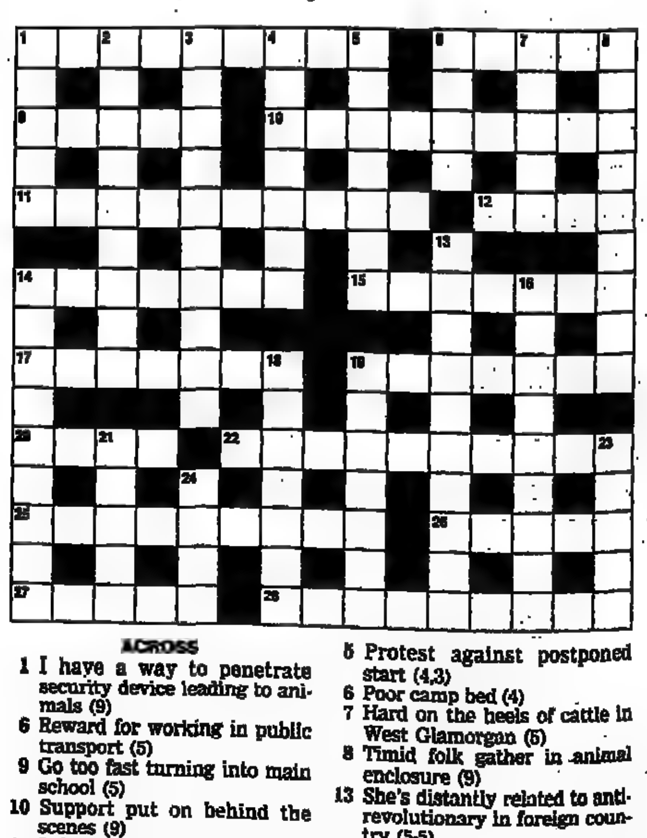
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.7,952 Set by HIGHLANDER



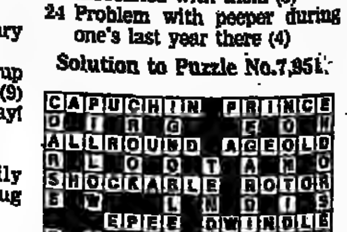
ACROSS

1 I have a way to penetrate security device leading to animals (9)
6 Reward for working in public transport (5)
9 Go too fast turning into main school (5)
10 Support put on behind the scenes (9)
11 Labour covers work on the job (10)
12 Beat wife with it (4)
14 Small pilot – about six! (7)
15 A hotchpotch of the extreme right in the past (7)
17 Superiors take drinks, teetotaller admitted (7)
19 Embarrassed by end-product of smoking in a bunk (7)
20 The wrong setting for cold cut (4)
22 Dependent part of a military force (10)
25 Philosopher has to stand up to protect child left behind (9)
26 Banish dairy produce? I'll say! (5)
27 Villain appears in a suit (5)
28 Princess and her family reported uncovering a drug supplier (9)

DOWN

1 Old girl's first animal catcher (5)
2 Look at fielder's position (9)
3 Team hits out at criticisms made in passing (10)
4 It's said round piece describes a curved path (7)
5 Protest against postponed start (4,3)
6 Poor camp bed (4)
7 Hard on the heels of cattle in West Glamorgan (5)
8 Timid folk gather in animal enclosure (9)
13 She's distantly related to anti-revolutionary in foreign country (5-5)
14 Dinner conversation includes story about bishop taking sermon (5-4)
16 Events in field disturbed his cattle (8)
18 Little Edward on see-saw (7)
19 Player traces errant son (7)
21 Empty church in a foreign land (5)
23 Some of the irregularities associated with them (5)
24 Problem with peeper during one's last year there (4)

Solution to Puzzle No.7,951



WORLD STOCK MARKETS

AUSTRIA

September 15	Sch	+ or −
Austrian Airlines	1,880	−15
Creditanstalt PF	426	−6
EA General	2,695	−22
EVN	792	−5
Jungbunzlauer	15,700	+210
OeMV	736	−3
Perlmooser Zement	1,130	−11
Radex Heraklith	463	−4
Reininghaus Brau	1,190	+30
Steyr Daimler	191	−4
Veitscher Magnesit	325	−1
Vertnund (Br) A	443	−7
Wienerberger	3,485	−35
Z-Laenderbank	1,030	+10

BELGIUM/LUXEMBOURG

September 15	Frs.	+ or −
AG Group	1,830	−25
Ackermans	2,660	−40
Almanij	5,890	+190
Arbed	3,245	+85
BBL	3,455	−15
Bank Intl a Lux	11,500	..
Banq Gen Lux Pts	11,800	....
Bekaert	12,125	+200
CBR Ciment	7,600	−150
CMB	1,800	+30
Cobepa	4,500	...
Cockerill Priv	141	−1
Colruyt	4,645	−55
DeRaize Frs Lion	1,565	−15
Electrabel	4,855	−15
Electrabel AFV1	4,700	−30
Electrafina ACT	2,375	−25
GBL	2,550	−60
GBL AFV 1	2,510	−45
GIB Group	1,328	−16
Gechem	295	−11
Generale Banque	6,870	+20
Gevaert	6,250	−130
Glaverbel	3,790	−10
Immobel	2,500	−55
Kredietbank	4,890	−20
Kredietbank AFV	4,780	−20
Mecaniver	5,500	....
Mosane	1,368	−2
Pan Holding Lux	12,050	−40
Petrofina	8,750	−190

FRANCE (continued)

September 15	Frs.	+ or −
Carrefour	2,107	−98
Casino	145	−3
Cetelem	784	−4
Chargeurs	1,167	−28
Club Mediterranee	406.50	−7.50
Coflfi	322	+1
Coparex Int	582	
C C F	195	+2.10
Cr Fonc France	815	
Cred Lyon (CI)	555	+11
Credit National	950	−10
Damart	3,101	....
Docks de France	382	−18
Dollfus Mieg Cie	304	−11
EBF	815	−10
Eaux Cie Genl	2,245	−35
Ecco	406	+6
Elf Aquitaine	344	−12
Elf Aquitaine Certs	228	+3
Elf Sanofi	1,092	−23
Eridania B-Say	625	−24
Eridania B-Say Cl	475	−5
Essilor Int	410	−6
Etex	1,735	−5
Eurafrance	1,189	+6
Euro RSCG	580	−15
Euro Disney	84.60	−2.80
Fin Poliet	410	
Finextel	110	+2
Fonc Lyonnaise	585	−14
From Cet Auv	3,300	...
GTM-Entrepose	387.50	−1.50
Gal. Lafayette	2,040	+40
Gaumont (Soc N)	445	−5
Geophysique	687	+5
Hachette	104.10	−2.90
Havas	485	+3
Imetal	310	−10
Imm de France	799	+14
Immobanque	545	+5
Immob Phenix	117.30	−4.50
Interbail	380	−2.50
Intertechnique	599	−2
LVMH	3,931	−117
Lafarge Coppee	292	−3.90
L'Oreal	990	−5
Legrand	4,310	+30
Legris	262.50xd	−2.40

GERMANY (continued) · NETHERLANDS (continued) · SWEDEN (continued) · DENMARK · FINLAND · FRANCE · ITALY · NORWAY · SPAIN · SWITZERLAND · SOUTH AFRICA · GERMANY · AUSTRALIA · HONG KONG · MALAYSIA · SINGAPORE · JAPAN

CANADA

TORONTO

4 pm close September 15

Quotations in cents unless marked $

MONTREAL

4 pm close September 15

INDICES

NEW YORK

DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA

TORONTO

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

4 pm close September 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Quote	Ch'ge Close Prev. Close
15⅞	11⅞	AAR Corp	0.48	4.0	19	189	12⅛	d11⅞	12	-⅛
26	18	A L Labs A x	0.18	0.8	82	157	23⅛	22¾	23	+¼
66¾	52⅞	AMP Inc	1.52	2.5	24	2475	61	60⅛	60⅝	-¼
80¼	55	AMR			21	7738	60½	58⅝	58¾	-1⅛
2⅛	1⅛	ARX			18	61	1¼	1⅛	1⅛	
53½	33⅞	ASA	2.00	5.6	23	457	35½	35	35½	
34¼	26⅛	Abbott Lab	0.60	2.0	21	7310	30⅞	30	30	-¾
13⅞	11⅞	Abitibi Pr	0.60	4.0	6	4	12½	12⅛	12½	
11⅝	10⅛	ACM Gvt In x	1.06	9.3		199	11⅞	11¼	11⅞	+⅛
10⅞	9⅛	ACM GvOpp x	0.91	9.2		64	10	9⅞	9⅞	
9⅝	8½	ACM Gvt Sp	0.89	9.4		394	u9⅝	9⅛	9½	-⅛
11¼	10⅛	ACM Gvt Se	1.08	9.7		591	u11¼	11⅛	11⅛	
10⅝	8⅝	ACM Man x	0.99	9.5		288	u10⅝	10⅜	10⅜	-⅛
12⅞	10½	ACM Managd x	1.15	10.3		160	11⅛	11	11⅛	
11¼	4⅛	Acme Cleve	0.40	5.7	13	264	7	6¾	7	+⅛
6¼	4⅛	Acme Elect			35	13	4⅞	4⅝	4⅝	-⅛
33¼	15⅞	Acuson			10	741	16⅛	d15⅞	15⅞	-⅛
19½	18⅛	Adams Expr	0.48	2.5	1	20	u19½	19⅛	19½	+⅛
49⅞	29½	Ad Micro	3.00	7.7		71	39	38½	39	-⅛
21½	7½	Ad Micro P	3.00	24.5		45352	12⅞	12	12¼	-⅛
9⅛	4⅞	Advest Grp	0.16	3.0	65	123	5⅜	5¼	5¼	
40⅝	33	Aegon ADR x	1.68	4.2	7	6	39½	39½	40⅛	
47	38¼	Aetna Lf	2.76	7.2	91	161	39⅛	d38¼	38⅜	-¾
12¼	8⅜	Ahl A	0.24	2.0	14	343	11⅞	11⅝	11⅝	
34	24	Aflac	0.44	1.5	14	1057	32⅞	29¾	29⅞	-0⅛
19⅝	14⅞	Ahmanson	0.88	5.9		65662	15¼	d14¾	14⅞	-⅜
[illegible]										

1992 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Quote	Ch'ge Close Prev. Close
90⅛	62¼	Bristol M	2.76	4.1	16	9339	69	67¼	67¼	[illegible]
57½	39½	Brit Airwy	2.16	4.3	6	760	52⅞	50½	50½	[illegible]
49½	40¾	Brit Gas	3.86	8.9	10	156	44¼	43½	43½	[illegible]
66⅜	43¾	BP ADR	3.60	7.8	19	8293	46⅞	46⅛	46⅛	[illegible]
31⅞	27⅞	BP Prudhoe	3.15	10.1	7	493	31⅛	31	31⅛	[illegible]
1⅞	0.05	BP Wts93				28	0.05	d0.05	0.05	
15⅛	9⅞	Brit Steel	0.94	9.3	28	5080	10½	10⅛	10⅛	[illegible]
70⅝	53⅞	Brit Tel	4.48	6.9	11	1219	65⅞	64½	64½	[illegible]
21⅞	15¼	Broad Inc	0.20	1.0	5	471	20½	20⅛	20⅛	
34½	28	Brooklyn U	1.94	5.6	16	278	u34½	34⅛	34⅛	
90	72	BrwnFormnB	2.44	2.9	18	387	85⅞	85¼	85⅜	[illegible]
28¾	21	Brown Grp x	1.60	6.0	27	636	26¾	26¼	26½	[illegible]
10½	5	Brown&Shrp	0.32	5.4	117	5	5⅞	5⅞	5⅞	[illegible]
24⅞	19⅝	Browning F x	0.68	2.9	29	61380	24¼	23¼	23¼	[illegible]
3⅞	1⅞	BRT			1	15	2⅛	2⅛	2⅛	
17¾	12¼	Brunswick	0.44	3.2	49	785	14	13⅝	13⅞	
19	12⅜	Brush Well x	0.20	1.2	10	377	17⅛	17⅛	17⅛	[illegible]
31½	25⅞	Buckeye Pt	2.60	8.3	12	46	u31⅝	31¼	31½	[illegible]
17¼	15⅜	Bunker Hill	1.44	8.5	0	20	16⅞	16⅝	16⅞	[illegible]
15	11⅞	Burger K I	1.56	11.1	20	36	14	13⅞	14	
17⅝	11	Burl Coat			14	302	16½	15⅞	16½	[illegible]
47⅞	33¼	Burl North x	1.20	3.2	12	2552	37⅞	37⅜	37⅞	[illegible]
[illegible]										

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
55	50½	Xerox4.125				4	53	53	53⅛	+⅛
33¾	24⅞	Xtra 1.94	1.94	5.9		78	33⅛	32½	33	
45⅞	28½	Xtra Corp	0.80	1.8	13	221	u45⅞	44⅛	44⅛	−1
30¼	25¼	Yankee Egy	1.88	6.7	13	51	28½	28	28	−⅛
1½	½	Zapata			28	284	1	15/16	15/16	−1/16
11½	6¾	ZenithElec			4	625	6⅞	d6½	6¾	−⅛
18½	14½	Zenith Nat	1.00	5.7	6	45	17½	17¼	17½	
7½	6	Zenix Inc	0.82	11.4		172	7⅛	7⅛	7¼	+⅛
13¾	10	Zero Corp	0.40	3.6	16	66	11½	11¼	11½	+¼
36	27¾	Zurn Ind x	0.88	2.9	53	173	31	30⅜	30⅞	+⅛
14⅛	12	Zweig Fund	1.12	8.6		491	13⅛	12⅞	13⅛	
11	9½	Zweig Tot x	0.88	8.1		780	10½	10⅜	10½	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close September 15

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G	0.10	38	1774	u17½	16⅞	17½	+⅝
Perini	0.80	21	12	11⅛	11⅛	11⅛	−⅛
Pe REIT x	1.14	13	z100	18¼	18¼	18⅛	
Phil LD	0.29	17	602	40⅞	40⅛	40½	−½
Pitway A x	1.10	16	12	31	30¼	30⅞	+⅛
Pty Gem	0.12	22	146	10½	10⅛	10½	

NASDAQ NATIONAL MARKET

4 pm close September 15

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		24	4671	22½	21	22	−¼
Xoma Corp		5	1040	11¼	d10½	10⅞	−⅛
Yellow Fr	0.94	21	1192	26	25¼	25¼	−1⅛
York Rsch		7	1411	6⅞	6 11/16	6⅞	
ZionsUtah	1.44	10	25	57½	56	57¼	+1¼

EUROPE

Bourses backtrack after reappraisal

SECOND thoughts about the ERM realignment and the Bundesbank's interest rate cuts weakened bourses progressively yesterday, *writes Our Markets Staff*, with the FT-SE Eurotrack 100 index losing just over one-half of the previous day's gains.

MILAN seemed to get progressively worse. At the official close the Comit index was 5.90, or 1.6 per cent down at 373.14, on a weak lira and worries about Sunday's referendum in France.

After hours, computer trading was showing a 2.7 per cent loss after a rumour, subsequently denied, that the Italian prime minister, Mr Giuliano Amato, had resigned; but this was mild compared with the 7.5 per cent drop, in lira terms, in the Italian component of the FT-Actuaries World Index at 3.30pm, London time.

The London prices were measured from Monday's 3.30 close, reflecting an extension of early enthusiasm after a rousing start on Wall Street. So the falls were more severe. Among market leaders, Ferruzzi dropped by 9.9 per cent on this basis, Mediobanca by 9.5, Olivetti by 9.1 and Fiat by 8 per cent.

FT-SE Eurotrack 100 - Sep 15

Hourly changes							
Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1065.46	1063.65	1059.86	1059.07	1058.46	1058.13	1053.83	1051.69

Day's High 1065.62 — Day's Low 1051.69

Sep 14	Sep 11	Sep 10	Sep 9	Sep 8
1073.79	1033.57	1027.59	1021.42	1029.38

Base value 1000 (26/10/90).

The worst fall of the day, again in London, was in Credito Italiano, one of the market's privatisation prospects and down 13 per cent after a 29 per cent gain on the Milan kerb on Monday. Nuovo Pignone, the other privatisation prospect, was fixed locally at L5,000 after a Monday quote of L3,410.

PARIS took profits as turnover retreated a little to FFr2.4bn. The CAC-40 index closed 37.45, or 2 per cent lower at 1,836.15 after an earlier high of 1,869.21.

Saint Louis was in focus after Arjo Wiggins of the UK, in which it holds a 39 per cent stake, said it was cutting its dividend. It fell FFr95, or 7.9 per cent to FFr1,109.

Financial sector stocks, which had been in the vanguard of Monday's rises, shed much of those gains: Suez was down FFr11.20 at FFr256.80, and Société Générale by FFr20 at FFr541.

FRANKFURT consolidated after Monday's 4.4 per cent gain, the DAX index closing 7.49 lower at 1,587.55 although there were indications of a fall of more than 1 per cent overall in the London post bourse.

Turnover *fell from DM7.4bn* to DM5.4bn. London prices had the big three chemicals around 1½ per cent lower but a more distinctive approach to the carmakers, BMW, Daimler and Volkswagen, down 0.6, 1.4 and 2.1 per cent respectively, VW, perhaps, reflecting the earnings downgrade imposed on it by Morgan Stanley less than two weeks ago.

ZURICH saw the blue-chip SMI index fall 20.3 to 1,851.4 as the city came back from a day's holiday. On Monday the SMI gained 3.3 per cent in Basle trading.

Activity centred on Nestlé, major banks and chemicals. The improving Nestlé topped the active list, its registered shares closing a token SFr2 higher at SFr977.

BRUSSELS closed lower *although* the metals sector managed gains. The Bel-20 index fell 12.29 or 1.1 per cent to 1,107.96 in turnover of BFr1bn. In metals, Arbed gained BFr85 to BFr3,245, Clabecq BFr18 to BFr938 and Bekaert BFr200 to BFr12,125 after announcing an increase in first half profits after the close on Monday.

Union Minière, due to release first half earnings after today's close, slipped BFr85 or 4 per cent to BFr2,005.

AMSTERDAM fell in line with neighbouring markets as the 1993 budget announcement generaly left investors unmoved. The CBS Tendency *index shed 0.8 to 112.3.*

Hoogovens lost a further Fl 3.10 to Fl 37.60 after announcing job cuts on Monday while Philips bucked the trend with a 30 cents gain to Fl 24.50.

STOCKHOLM fell in heavy trading as investors took profits. The Affärsvärlden index lost 14.8 to 745.1 in turnover of SKr599m.

Increases in money market rates contributed to nervousness while there was renewed speculation about the stability of the coalition government.

Trading in Asea shares accounted for SKr162m of volume and its B shares closed up SKr5 at SKr325.

OSLO fell 2.9 per cent after one-month money market rates were raised from 17 to 20.5 per cent. The all-share index fell 9.57 to 320.98 in turnover of NKr157m. Norsk Hydro fell NKr4.5 to NKr138.5. HELSINKI saw bank shares depressed on news that Unitas faced substantial credit losses from an associated investment company. The HEX Index lost 3.22 to 586.15. Unitas free shares fell 50 penni to FM2.9.

VIENNA took a 4.84 point loss on the ATX index to 799.20, off the intraday high of 809.42. The insurer Erste Allgemeine, *which forecast a good* second half, went against the trend, rising Sch45 to Sch1,770.

ISTANBUL eased by 1.7 per cent as investors took profits. The 75-share index closed down 76.35 at 4,437.89 but off the day's low of 4,421. Turnover rose to TL370.2bn from TL328.5bn.

Frankfurt picks over the weekend package

Andrew Fisher sounds a judicious note of cheer

It was just what the German market needed. After optimism at the start of the year had been replaced by gloom about international economic and currency trends, this week's interest rate cuts by the Bundesbank and the European exchange rate realignment brought a note of cheer back to dealing rooms.

The mood is not exactly euphoric. The Frankfurt stock market, as measured by the DAX index, put on 4.4 per cent on Monday. Yesterday the *index declined by 0.5* per cent to 1,587.55, leaving it well below a high of 1,811.57 seen at the end of May.

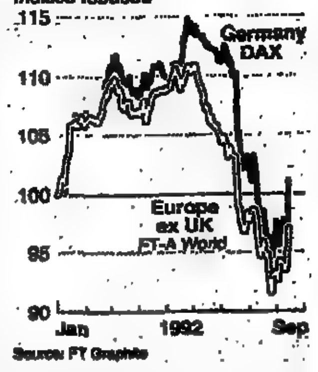
Mr Heinrich Ackermann, of Bank in Liechtenstein's Frankfurt office, says: "Things have not changed in the real economy. We are going to get further poor figures for things like new orders, production and so on." He feels, however, that the reduction of the central bank's key rates has removed the risk of a further escalation in rates, giving the market a more solid basis.

Meanwhile, this weekend's French referendum on the Maastricht treaty is still to come. Until this is resolved and fears of further European currency turbulence removed, stock markets, for the time being at least, will still be somewhat hesitant. Also, it could be some time until the Bundesbank feels able to cut rates again; exchange rate tensions forced its hand before it was really happy about trends on the inflation and money supply fronts.

When *announcing* the interest rate cuts, Mr Helmut Schlesinger, the Bundesbank president, alluded to the weakness in the economy – not a recession, he said – and signs of more moderation in the next wage round by saying that the Bundesbank's moves were in line with these developments.

But the central bank would not have acted without being put under extreme pressure by the size of the intervention needed to support the lira last week. This threatened to overturn its monetary stance by inflating money supply. Hence the decision urged upon the Bonn government for a realignment, accompanied by the earlier than expected rates cut.

The size of the reductions, most eyes being on the significant Lombard rate, caused disappointment in some markets. But as Mr Schlesinger emphasised, the Bundesbank is also pushing money market rates down by ½ percentage point to 9.3 per cent by conducting this week's securities repurchase operation at a fixed rate.



Source: FT Graphite

Even so, it will take far deeper interest rate cuts than these to help propel western European economies out of their present slackness, especially in the hard-hit UK and Nordic regions. "The whole of Europe needs much lower interest rates, not just the little we have seen," says Mr Werner Wanke, a partner at Metzler, the Frankfurt private bank. For Europe to be given a real stimulus, he believes two or three percentage points need to come off rates across Europe.

Since Europe's interest rate levels depend basically on the Bundesbank, investors will be waiting to see when it feels like delivering further cuts. They may have to wait some time. Mrs Katrin Kandel at the London office of Sal. Oppenheim, another German private bank, says: "I do not think the basic policy of the Bundesbank has changed at all. I do not think rates are going to come down faster now."

Her strategy continues to centre on companies with strong cash flow, above average earnings growth, and worthwhile assets. There are plenty of those around in Germany, even though the country's export performance has obviously been braked by the slow US recovery and weakness in European markets.

Many German companies are now trying hard to cut costs, especially in the motor industry where competition is increasing from the Japanese, who have set up plants in the UK and elsewhere. Companies in the vital mechanical engineering sector are suffering from the steep downturn in orders and are keen not only to become more competitive on the cost front but also to produce more abroad.

It is the intensity of the cost pressures which have concentrated minds in government and industry and led to the latest call by Chancellor Helmut Kohl for a solidarity pact which would include moderate pay deals. Such a pact has yet to be worked out, but a healthy sign is the agreement won by Lufthansa, the hard-pressed German airline, for a pay freeze and other far-reaching concessions from its unions.

Lufthansa may be a special case with its heavy losses and severe cost disadvantages against leaner rivals such as British Airways, but other German companies are also uncomfortably aware that they need to slim down. Volkswagen is shedding labour and has also been investing heavily in lower-cost sites in Spain, Mexico, China and Czechoslovakia.

In other important German industrial sectors, the chemical companies have been feeling the chill of world economic weakness and are suffering in various degrees from low prices at a time of tougher competition. With many German concerns heavily dependent on foreign sales, it is clear that it will take more than the events of the past few days to engender a lasting return of confidence to German bourses.

AMERICA

Soft economy and falling bonds hit Dow

Wall Street

SHARE prices on Wall Street retreated sharply yesterday as the market's earlier euphoria over Germany's interest rates cut faded and there was *further statistical evidence of the* extremely sluggish performance of the US economy, *writes Alan Friedman in New York.*

Declining prices in the US Treasury bond market also aggravated sentiment in the equity area, as did the conviction that interest rates in the UK and elsewhere could remain high notwithstanding the Bundesbank's unusual action on Monday.

The Dow Jones Industrial Average closed 48.90 down at 3,327.32, while trading volume on the New York Stock Exchange stood at 202.5m shares. At least part of this decline was interpreted by dealers as a technical reaction to Monday's 70-point upsurge.

The Standard & Poor's 500 receded 5.46 to 419.81 and the Nasdaq composite index was off 6.35 at 587.86.

Mr John Parasco, a senior vice-president of trading at Lehman Brothers in New York, said stock prices had been weakened both by soft economic news and by falling bond prices.

Among the macro-economic statistics released yesterday was a 0.5 per cent decline in August retail sales, worse than expected. Consumer prices last month were up by 0.3 per cent, in line with expectations.

The US current account deficit for the second quarter – $17bn – was above expectations of a *deficit* of about $13bn or $14bn for the quarter.

Disappointment at the rather slim cut in German interest rates and a sense that the market had overreacted on Monday were key factors for equity traders. The German rate cut at first came as a relief, but by yesterday many in New York had come round to the view that the move did not offer any long-term solutions.

Especially hard hit yesterday were share prices in the computer and airline industries. Computer share prices were sinking yesterday after Amdahl signalled that its products were suffering from weak demand and offered a bleak earnings outlook. IBM weakened $2⅞ to $85⅛.

Airline issues were down after Mr Robert Crandall, chairman of AMR, parent of American Airlines, told analysts that the company's third-quarter losses would exceed those already suffered in the second quarter. AMR lost $1⅞ to $58⅝.

General Electric shed $⅞ to $77¼ with more than 1.3m shares changing hands. Philip Morris was down $⅜ at $84⅞ with just under 1m shares being traded.

Canada

SOLID GAINS in gold shares limited the overall decline in Toronto as the market pulled back from Monday's 30-point advance.

The TSE 300 index ended 6.3 off at 3,464.1 and declines led rises by 313 to 281 after volume of 30.5m shares valued at C$317.7m.

Gold shares followed through on Monday's gains in gold futures, in spite of a mild easing in Comex gold futures yesterday.

American Barrick put on C$1⅛ to C$38⅝, Pegasus Gold C$⅝ to C$21⅛, Hemlo Gold C$½ to C$10½ and Placer Dome C$¼ to C$12⅞.

SOUTH AFRICA

JOHANNESBURG was firmer although blue chips ended the session mixed. The overall index gained 28 to 3,178, off the day's low of 3,146 and the industrial index advanced 28 to 4,132. The gold index recovered from earlier lows to end down 11 at 894.

ASIA PACIFIC

HK gains ahead of talks on new airport

WITH Tokyo closed for a public holiday, the region's markets concentrated on domestic news yesterday, while investors remained cautious about New York's overnight gain.

HONG KONG extended its rally to two days, the Hang Seng index closing a net 46.69 higher at 5,653.84 after profit-taking had dragged it down from the day's peak of 5,671.97.

Turnover, however, was down to a modest HK$1.29bn from Monday's HK$1.39bn and investors were said to be awaiting the result of today's meeting of the Airport Committee, which comprises Chinese and British diplomats and Hong Kong officials, amid hopes that a deadlock over financing the HK$175bn new airport project will be broken.

Individual counters attracted bargain hunting, with Jardine Matheson finishing HK$1.50 ahead at HK$52. HSBC Hold*ings was the most active stock,* steady at HK$55.

AUSTRALIA reversed three days of advances with a 6.2 retreat in the All Ordinaries index to 1,530.4. Turnover came to 96m shares worth A$246.7m.

Activity focused on BHP and Foster's after the former announced that it had taken a 32 per cent stake in the brewer. BHP receded 26 cents to A$12.48, while Foster's relinquished 13 cents to A$1.46 with *some 14.3m shares traded.*

News Corp rose 40 cents to A$22.94, recovering half of Monday's drop. In the banking sector, Westpac firmed 2 cents to A$3.

SINGAPORE failed to sustain an early advance, uncertain about whether Wall Street would hold on to Monday's gains. The Straits Times Industrial index closed just 3.02 up at 1,383.42, after reaching 1,390.34. Volume improved to 35.34m shares from 25.33m.

Keppel Corp, the diversified conglomerate with its core businesses in shipbuilding and ship repairing, rose steadily from S$5.95 to S$6.40 but *retreated to close* at S$6.15 after sellers emerged.

SEOUL cooled its heels after two weeks of wide fluctuations, the composite index losing 6.49 to 544.82 in the absence of institutional support.

Institutions have been required for the past three weeks to be net buyers of stocks to comply with government market-boosting measures, but profit-taking in big manufacturing shares, which led the recent *rally*, contributed to the market's fall.

TAIWAN moved lower initially after Monday's 2.7 per cent fall, but then staged a technical rebound to close higher on the day, although brokers said investor confidence remained very weak. The weighted index, down more than 50 points at first, ended 31.68 up on the session at 3,716.72. Turnover stayed thin but increased to T$18.2bn from T$17.4bn.

Buyers stepped into the market just before the close, focusing on export-related electronics shares, which could benefit from the recent depreciation of *the Taiwan dollar.*

NEW ZEALAND finished a moderately dull session little changed, the NZSE-40 index gaining 1.17 at 1,480.26, after an intraday high of 1,491.26.

Brewery shares remained firm but showed little extension of Monday's gains. Lion Nathan rose 4 cents to NZ$4.50 and Brierley Investments put on a cent to 90 cents.

MANILA gained strength as PLDT rose on a good overnight performance *in the US. Its* shares advanced 20 pesos to 995 pesos, while the composite index added 10.76 at 1,429.27. Combined turnover fell to 173m pesos from 344m pesos.

KUALA LUMPUR closed off the day's highs on lack of follow-through support. The composite index was finally 2.17 up at 585.91. Rises outpaced falls by 120 to 98 after volume of 53.3m shares, against 48.3m on Monday.

BANGKOK paused following a period of gains ahead of Sunday's general election. The SET index eased 0.21 to 817.74 in a turnover of Bt11.5bn.

BOMBAY climbed 3.8 per cent after the Indian government's opening of stock markets to foreign institutional investors, the BSE index closing 135.44 higher at 3,410.29.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY SEPTEMBER 15 1992								MONDAY SEPTEMBER 14 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	132.00	−0.8	104.57	103.68	101.95	119.98	−0.7	4.13	133.15	104.29	104.52	102.82	120.77	153.68	124.38	151.39
Austria (19)	158.43	+0.9	125.51	124.43	122.36	121.26	+0.0	2.41	157.05	123.05	123.30	121.29	121.21	186.70	139.27	183.69
Belgium (42)	141.81	−0.3	112.34	111.37	109.52	107.02	−0.3	5.75	142.28	111.46	111.69	109.88	107.36	152.27	135.87	130.74
Canada (114)	126.01	−0.7	99.82	98.96	97.31	111.00	−0.3	3.13	126.90	99.41	99.62	98.00	111.32	142.12	124.32	138.87
Denmark (33)	205.57	−1.1	162.85	161.46	158.76	159.64	−1.3	1.78	207.81	162.80	163.15	160.49	161.01	273.94	205.67	258.85
Finland (15)	55.99	+0.7	44.36	43.98	43.24	53.54	+0.6	2.64	55.59	43.55	43.64	42.93	53.20	89.80	50.09	94.67
France (102)	160.35	−2.1	127.03	125.93	123.83	126.83	−1.9	3.54	163.75	128.29	128.55	126.46	129.33	168.75	148.06	144.54
Germany (64)	116.06	−0.4	91.94	91.18	89.63	89.63	−0.4	2.55	116.58	91.20	91.50	90.03	90.03	129.69	114.42	112.10
Hong Kong (53)	232.80	+1.0	184.42	182.84	179.80	231.05	+1.0	3.66	230.49	180.56	180.95	178.01	228.81	259.55	176.38	183.91
Ireland (16)	152.87	+1.9	121.11	120.07	118.06	119.04	+1.1	4.53	149.98	117.49	117.75	115.83	117.76	173.71	149.98	164.73
Italy (78)	54.12	−4.0	42.88	42.51	41.80	48.38	−2.5	4.31	56.38	44.15	44.24	43.52	49.60	80.86	54.12	73.33
Japan (473)	111.47	+0.0	88.31	87.55	86.10	87.55	+0.0	0.97	111.52	87.36	87.55	86.14	87.55	140.95	87.27	133.39
Malaysia (69)	238.75	+0.3	189.13	187.50	184.38	230.93	+0.4	2.77	237.94	186.40	186.79	183.75	230.01	250.47	212.49	201.23
Mexico (18)	1267.81	+3.6	1004.36	995.74	979.14	4229.46	+3.7	1.40	1224.29	959.11	961.18	945.53	4137.55	1789.77	1213.33	1222.76
Netherland (25)	160.25	−0.7	126.95	125.86	123.77	122.37	−0.7	4.83	161.40	126.44	126.72	124.68	123.25	167.29	147.68	142.22
New Zealand (14)	43.04	−1.3	34.10	33.81	33.24	41.94	−0.1	5.42	43.59	34.15	34.23	33.67	41.97	48.52	41.80	47.38
Norway (22)	142.93	−2.9	113.23	112.26	110.39	114.02	−2.7	2.12	147.18	115.30	115.55	113.67	117.16	192.95	136.40	201.12
Singapore (38)	193.06	−0.4	152.94	151.63	149.10	141.99	−0.5	2.33	193.93	151.93	152.26	149.77	142.68	229.63	180.71	196.46
South Africa (61)	187.23	+2.0	148.32	147.04	144.59	156.34	+1.4	3.26	183.59	143.83	144.13	141.78	154.19	283.60	175.15	250.14
Spain (48)	136.45	−1.0	108.10	107.17	105.38	99.86	−0.4	5.99	137.78	107.94	108.17	106.41	100.26	161.72	133.79	156.49
Sweden (30)	168.61	−1.9	133.57	132.43	130.22	136.60	−1.3	3.01	171.92	134.68	134.97	132.78	138.45	200.28	167.72	186.55
Switzerland (60)	114.07	+2.0	90.37	89.60	88.11	92.96	+1.9	2.31	111.89	87.65	87.85	86.42	91.25	117.73	95.99	95.46
United Kingdom (228)	174.73	−3.2	138.42	137.22	134.93	138.42	−2.1	5.33	180.44	141.36	141.65	139.34	141.36	200.07	165.85	182.04
USA (522)	171.27	−1.2	135.68	134.52	132.28	171.27	−1.2	2.96	173.39	135.84	136.14	133.92	173.39	173.39	160.92	158.42
Europe (782)	142.53	−1.8	112.91	111.95	110.09	112.15	−1.3	4.26	145.22	113.76	114.01	112.16	113.62	156.88	139.31	143.50
Nordic (100)	153.87	−1.7	121.90	120.65	118.84	118.39	−1.4	2.53	156.52	122.62	122.88	120.88	120.10	188.52	153.87	191.50
Pacific Basin (715)	115.81	+0.0	91.74	90.96	89.44	92.55	+0.0	1.31	115.84	90.75	90.95	89.47	92.53	141.97	93.70	134.39
Euro-Pacific (1497)	126.62	−0.9	100.31	99.44	97.79	100.55	−0.6	2.65	127.73	100.06	100.27	98.64	101.13	145.21	113.80	138.35
North America (636)	168.44	−1.2	133.44	132.31	130.11	167.17	−1.2	2.97	170.49	133.56	133.86	131.69	169.17	170.49	158.70	155.14
Europe Ex. UK (554)	122.78	−0.9	97.27	96.45	94.85	96.95	−0.7	3.51	123.89	97.06	97.29	95.70	97.65	122.98	121.81	120.61
Pacific Ex. Japan (242)	158.34	+0.0	125.43	124.36	122.30	142.17	+0.2	3.88	158.27	123.99	124.27	122.24	141.95	175.31	149.00	144.25
World Ex. US (1690)	127.91	−0.8	101.33	100.47	98.79	102.98	−0.5	2.67	128.91	100.99	101.21	99.56	103.07	146.91	116.16	140.13
World Ex. UK (1984)	138.41	−0.7	109.65	108.72	106.91	122.20	−0.6	2.49	139.38	109.19	109.43	107.65	122.99	150.58	127.21	141.02
World Ex. So. Af. (2151)	141.33	−1.0	111.96	111.01	109.16	123.33	−0.8	2.78	142.74	111.83	112.08	110.25	124.36	153.05	130.04	143.86
World Ex. Japan (1739)	158.82	−1.3	125.82	124.76	122.68	144.41	−1.1	3.45	160.90	126.05	126.33	124.28	146.00	165.40	153.20	151.89
The World Index (2212)	141.56	−1.0	112.15	111.19	109.34	123.66	−0.8	2.79	142.93	111.98	112.22	110.40	124.66	153.70	130.68	144.58

Japanese market closed September 15.

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■ A record year for inward investment in Wales: – see page 3

FINANCIAL TIMES SURVEY

WALES

■ Financial services: Cardiff has a lot to offer – see page 2

SECTION III

Wednesday September 16 1992

■ Pictured here: the Cynon Valley, north of Cardiff, has been transformed over recent years by an extensive programme of land reclamation which has cleared away industrial eyesores from the age of coal. New roads and the re-opening of old rail links have improved communications, helping the area's towns attract a range of new industries, including a number of electronics companies. New housing developments have also helped the valley's towns to attract commuters working in service and other industries in Cardiff, Bridgend and other growing centres along the south Wales coast, enabling a modest reversal of the previous pattern of outward emigration to begin.

IN THIS SURVEY

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Well-placed for an eventual recovery

As the Welsh economy has diversified in recent years, observers believe that the principality will be the first part of the UK to take advantage of an economic upturn, reports Anthony Moreton

JUNCTION 24 on the M4 motorway into south Wales, a few miles to the east of Newport, presents a microcosm of what is happening to the economy of the principality.

To the north, the Welsh Development Agency and Wilson Bowden are working on the Langstone business park, the first stage of a joint venture between the public and private sectors that is eventually expected to create several hundred jobs. Across the road, the shell of the building which the electronics company, Inmos, once occupied now stands empty. Wales is no more immune to recession as unemployment rises, liquidations and closures increase, and business confidence wanes, than the rest of Britain.

It differs from many other parts in that there is good news as well as bad. Mr David Hunt, the eternally optimistic secretary of state for Wales, tours the country announcing new investments, jobs created. Thus, the marine insurance concern, Hayter Brockbank, will create 230 jobs in Cardiff; Henrob, which makes rivets in Flint, is to undertake a £1.8m expansion to create 34 jobs; Pullmaflex, which makes car seats, is to expand in Ammanford at a cost of £2.8m, creating 40 jobs.

This welcome news has been offset, however, by other less favourable announcements. British Coal is closing two of the last three pits in the Welsh valleys, with the loss of 700 jobs, BP has put a question mark over one of its chemical plants at Baglan Bay, Port Talbot, where 1,900 are employed, and companies such as Panasonic, AB Electronics and Hoover have introduced lay-offs or short-time working.

Success and failure go hand in hand in Wales in 1992. The long road from an economy based on heavy, smoke-stack industries to a diversified, modern industrial base has been largely completed. Wales is now a country in which financial services, motor parts, processed foods, electronics and information technology are established sectors. The country has the highest percentage of small businesses and start-ups, relative to population, of any part of the UK. Management buy-outs are continuing at a healthy pace, says 3i, the investment capital group.

It is this change in the economy that has led commentators to suggest that the principality will be the first part of the UK to take advantage of the upturn in the economy when it comes.

"People have kept their nerve here," says Dr Gwyn Jones, chairman of the Welsh Development Agency, set up in 1976 to rejuvenate the economy. "In the recession of the early 1980s, confidence went as unemployment and closures rose. This time, although the recession has checked our economic momentum, people are confident of what they can do when times get better."

Mr Brian Morgan, the agency's chief economist, points out that manufacturing output has fallen by just 2 per cent between the fourth quarter of 1988 and the second quarter of this year, compared with 20 per cent between the second quarter of 1979 and the last three months of 1982. This time, unemployment has gone up by 2 per cent, against 130 per cent a decade ago. And in some areas, such as business services, Welsh growth exceeded that in the rest of the UK between 1985 and 1992 by 15 percentage points.

Mr Keith James, chairman of solicitors, Eversheds Phillips & Buck in Cardiff, says there has been considerable resilience during the recession. "Manufacturing has continued to expand," he says, and the corporate and services infrastructure has remained strong."

Mr David Kern, chief economist of National Westminster bank, believes Wales will lead a weak UK recovery. "The Welsh economy will register a small rise in economic growth of 0.1 per cent this year," he says, "in contrast to fairly large outright declines in London and the rest of southern England.

"Next year, Wales's output growth, forecast at 1.7 per cent, will continue to outperform the national average. The resilience of the Welsh economy in the face of the longest, and one of the most severe British recessions, is remarkable," he argues.

Much of that resilience has come from the inflow of investment. The capital inflow last year topped £1bn, according to Dr Jones, twice the level achieved a decade ago. A Canadian company, Fisher Gauge, has chosen mid Wales, and a Singapore concern, Mayor-Sakata, is already in production in Merthyr Tydfil. The Gooding group has announced a further joint venture with Japan's Sanken for electronics expansion and Ford is to put another £100m into its Bridgend engine plant. Tesco is to build its largest UK distribution depot outside Newport.

Yet, for all the confidence being expressed in Wales's resilience, the recession, if, prolonged much further, will undoubtedly be very damaging. A survey just published by accountants, Coopers & Lybrand shows that two-thirds of Welsh businesses have suffered significant reductions in turnover, three-quarters have seen their margins come under severe pressure, and half have had to lay off workers. Contrary to the more optimistic assessment being made elsewhere, Coopers' partner in charge in Cardiff, Mr Hywel Jones, is one of those who believe there has been a significant reduction in confidence in the future.

An earlier Western Mail/Touche Ross survey similarly concluded that business confidence had been severely dented this year. Mr Robert Ellis, senior Cardiff partner with the accountants, has gone

Continued on page 3

FINANCIAL SERVICES

Cardiff has much to offer

AT THE start of July, Hayter Brockbank, a specialist in marine insurance, chose Cardiff for the headquarters of an operation to expand its marine- and car-insurance business through direct sales, a rapidly expanding sector of the insurance market.

The decision, which will mean the creation of about 250 jobs in the Welsh capital, has been described by Mr Robert Ashmead, director of the financial services initiative run by the Welsh Development Agency, as the most significant move in financial services in Wales in the past three and a half years.

The move, he added, "confirms our view that Cardiff, in particular, and south east Wales, in general, has the strength to become a very important player in the financial sector.

"Cardiff has a magnificent location in its docklands, now being developed in a coherent way, and the decision by NCM Insurance Services to move into a very large building in Cardiff Bay, as well as Prudential's decision to site a regional headquarters in the city, has started to create critical mass."

The financial services initiative was set up four years ago by Lord Walker when, as Mr Peter Walker, he was secretary of state for Wales. He was anxious to develop the attractions of south-east Wales as a site for the then rapidly-growing financial services sector.

He saw financial services as an essential element in the new Wales which had emerged from the shadow of steel and coal.

South Wales, and particularly the Newport area, had already had a degree of success in attracting newcomers even before the Walker initiative. TSB had located its trust arm in the town, next to the Patent Office. AA Insurance was in Cardiff, and all the major accountants were also in the Welsh capital.

Lord Walker devolved the task of running the financial services initiative, which was a joint operation among local authorities in the area and the agency, on to the WDA, but he also played a very close part himself in getting the scheme off the ground.

An important success for the initiative has been the decision by N M Rothschild to open a full branch in Cardiff, apart from Manchester, where the first Rothschild began in business, the only city in which the merchant bank has operations outside the City of London.

It was Walker's contacts with the bank, and in particular with Sir Michael Richardson, the former managing director, whom he talked into seeing the commercial advantages of operating in Cardiff, which brought Rothschilds to the Welsh city.

SOUTH WALES has always had a small financial sector by comparison with regional centres such as Birmingham, Manchester, Leeds and even nearby Bristol, not to mention Edinburgh. Standard Chartered, which through its Chartered Trust subsidiary acquired the former Julian Hodge loan finance operations, was an early arrival, with the establishment in the late 1960s of the Bank of Wales, now fully owned by the Bank of Scotland, another milestone.

AA Insurance opened in 1977, followed by Chemical Bank which arrived in 1983. It has since passed on its mortgage business in Cardiff to Banque Nationale de Paris, while retaining its other Cardiff operations.

The Julian Hodge name, synonymous for many years with financial services in Cardiff, survives in the Julian Hodge Bank, which provides a range of personal and merchant banking services.

A further wave of new arrivals built quickly in the late 1980s. National Provident Institution transferred its group pensions business from Tunbridge Wells in 1988; Sedgwick James came in 1990; stockbrokers Bell Lawrie White, part of Hill Samuel, were a 1989 arrival while more recently the German-owned insurance company DAS, pensions consultants Noble Lowndes and French owned Axa have all arrived. The result, according to Mr Brian Morgan, chief economist at the WDA, is that there has been a very encouraging rise in the numbers employed in this sector.

"This is important because improved links between the industrial and financial sectors are likely to be vital in the early stages of the economy's recovery."

Mr David Lewis, deputy managing director of Willis Corroon (Wales) concurs: "Our expansion in the past five years has been dramatic," he says, "and it is symptomatic of what is happening here.

"Companies have been keeping their heads down over the past year but there is plenty of expansion waiting for the moment to go."

Willis Corroon is part of that expansion. Five years ago it had 19 staff. Now it numbers more than 70, and, in addition to Cardiff, it now has offices in Swansea and Haverfordwest.

As the UK economy has tumbled even further into recession, though, there is evidence that it is becoming increasingly more difficult to attract companies into Wales.

Dr Gwyn Jones, chairman of the WDA, says: "There is still a lot of interest in south Wales as a home for financial-services companies, but it is certainly hard to bring in more."

His solution is to broaden the scope of the financial services initiative to focus on those areas in particular where Wales has a definite competitive advantage over other parts of Britain.

A broader-based financial sector will be an important ingredient in providing the liquidity needed for continued growth in Welsh industrial output, says Brian Morgan, chief economist at the WDA. Pictured above is the heaquarters of the Bank of Wales in Cardiff

Mr Ashmead spells it out: "Instead of going out and saying what a wonderful place Wales is, as we did originally, we have now taken the institutions, divided them into their sectors and are looking at the problems and issues, facing them individually.

"We can then go to a sector and offer a solution for their problem. Financial-services businesses operate on the bottom line. The quality-of-life approach may be important, and it has a role to play, but what is important to any company thinking of relocating to Wales is what will happen to the figures."

He believes that Wales's advantages, which include a large untapped pool of labour, especially among married women in the 25-40 age bracket returning to work, good educational standards, a willingness to adapt to new techniques and property at reasonable prices are the factors that now determine decision making.

"This is the bottom line," he says, "and this is what will sway a company towards making a move to Wales."

He argues that Wales's strengths will be helped by the willingness companies now have to accept that the front and back offices do not have to be in the same building.

"For years, firms were reluctant to think the two could be divorced," he says. "Now they not only accept the divorce but are actively looking to ways to implement it.

"We have shown in Wales that we can be the perfect base for back-office operations. We have also shown that in the retail sector of financial services this is a very good centre.

Mr Nicholas Markovits, manager of Venture Link Investors, a privately-owned venture capital group which has set up a fund to provide equity capital for unquoted companies, and product development finance, sees the future as bright.

"The demand for venture capital is not much down on last year, considering the state of the economy," he says, "and we are in place to do good business once there is a pickup."

That is the general consensus. Wales is well placed, it is generally agreed, to develop its nascent financial services industry.

Anthony Moreton

TRAINING INITIATIVES

Rich diversity of schemes

JUST OVER two years ago Diane Hughes wanted to return to work. With her children growing up there was less need for her to be present 24 hours a day. The problem was that in Menai Bridge, her home, there was no nursery, and no nursery meant no return to work.

Mrs Hughes was not one to sit back and accept the inevitable, though. She set up her own nursery and within 18 months it was full. Fired by enthusiasm, and by her success, Mrs Hughes decided to expand and open another on Parc Menai, a business park on the edge of Bangor. Just the place, she reckoned, as the women working in the offices there would need and welcome the facilities she will provide.

Mrs Hughes's initiative, which has led to the creation of seven jobs, won her an award presented by the Midland Bank and Targed, the training and enterprise council covering north west Wales.

"It just shows what can be done with a little initiative," says Ms Enid Rowlands, chief executive of Targed. "A lot of women are setting up in business in this part of Wales, especially farmers' wives, where there is now a very great need to bring in extra income as farming is going through a difficult time. We can help them in all sorts of ways to become independent and viable."

Jobs for working women are not the only requirement in north Wales – "education has always had a high priority in family life in this part of the country," Ms Rowlands says, "so academic attainments are high. But there is still a need to improve skill levels."

Training rather than enterprise tends to be a more important role for the seven Tecs in Wales, because of the support given towards stimulating enterprise by the Welsh Development Agency. In this respect, the situation in Wales is closer to that in Scotland than England. The Tecs tend to place rather more emphasis on small firms and start-ups, which is where a lot of the job-creation is to be found; consequently, two-thirds of Ms Rowlands' £15m budget goes towards training, split 60:40 between youth and adult work.

Large businesses are not ignored, though. In Cardiff, Mr Sheldon, chief executive of the South Glamorgan Tec, is keen to provide help for companies such as British Airways and Bosch, two recent incomers, especially if they take people off the unemployed register. With BA, for instance, it has helped fund a scheme out of its £13m budget in which it meets the cost of the third year of a college course in order to improve good long-term training. For Ms Rowlands at Targed, size has a different connotation. There are probably only 20 large companies in Gwynedd, so much of her thrust is directed towards companies with fewer than 20 employees.

South Glamorgan's unique approach is to have introduced the first business credit in Britain. It offers £5,000 to companies wanting buy a range of services, such as consultancy, or helping with the cost of senior managers attending skill seminars. The Tec will meet two-thirds of the cost of these services.

There has been a reasonable take-up, Mr Sheldon says – "the problem is that in the present recession too few companies can afford to lay out the other third but, as the economy picks up, I expect greater use to be made of this facility."

MOST of the demand for services within the Targed area comes from within its boundaries. Further east in Clwyd, the situation is slightly different. The county's workforce also looks to England, and especially the Chester conurbation for employment, so that the Tec has rather different priorities.

In Clwyd, the Tec is known as Training and Enterprise and its area is a net exporter of workers.

About one in every five works outside the area whereas only one in every 10 jobs is accounted for by someone travelling in to the area.

The sort of work Targed undertakes is illustrated by a recent case involving a bakery in Bala. Berwyn Bakery had a fine reputation in Gwynedd and beyond. Its biscuits were – and still are – much sought after. Its reputation grew as the company took display stands at several exhibitions; as its reputation grew, so did demand.

The rise in orders, however, threatened to overwhelm the bakery – total employment five – and the company put out an SOS call to Targed. The agency sent in a consultant, drew up a development plan which pointed a sensible way forward, and met part of the costs. The result was that Berwyn could cope with the increased orders, turnover and profits rose, and the company now employs 20.

That figure may seem miniscule by comparison with the thousands expected eventually at British Airways's new maintenance plant outside Cardiff. But in the context of Bala it was significant.

Anthony Moreton

The employment picture

Twelve main employment sectors in Wales are listed here, plus percentage figures compared with those in Britain:

- ☐ Agriculture, forestry and fishing: 19,000, (1.9 per cent; UK, 2.2 per cent).
- ☐ Energy, water supply: 28,000, (2.8 per cent; UK, 2 per cent).
- ☐ Metal manufacture, chemicals: 44,000, (4.4 per cent; UK, 2.8 per cent).
- ☐ Metal goods, engineering, vehicles: 114,000, (11.3 per cent; UK, 3 per cent).
- ☐ Other manufacturing sectors: 91,000, (9.9 per cent; UK, 9.3 per cent).
- ☐ Construction: 43,000 (4.3 per cent; UK, 4.5 per cent).
- ☐ Wholesale distribution, catering: 94,000, (9.3 per cent; UK, 10.4 per cent).
- ☐ Retail distribution: 94,000, (9.3 per cent; UK, 9.9 per cent).
- ☐ Transport, communications: 49,000, (4.9 per cent; UK, 5.9 per cent).
- ☐ *Banking, insurance, finance: 70,000, (6.9 per cent; UK, 12.4 per cent).*
- ☐ Public administration, defence: 116,000, (11.5 per cent; UK, 9 per cent).
- ☐ Education, health, other services: 248,000, (24.6 per cent; UK, 22.3 per cent).

Figures as at June, 1990; source: Welsh Development Agency.

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KEY FACTS AND INDICATORS

	Wales	UK
Area (sq km)	20.768	242,520
Population (thousands)	2,881	57,411
Population density (per sq km)	138.7	236.7
Population growth (% per year,1981-90)	0.3%	0.2%
Age structure:		
Below 16 years	20.3%	20.2%
Above pension age	19.5%	18.3%
Live births per 1,000 of the population	13.5	13.9
Live births outside marriage	29.3%	27.9%
Deaths per 1,000 population	11.8	11.2
Ethnic minority population (as % of total)	1.2	4.8*
GDP (£ billion)	20.0	477.7
GDP per head (£)	6,960	8,201
Employment: (% of workforce, 1991)		
Agriculture, mining, energy	9.2%	6.3%
Manufacturing, construction	23.9%	23.0%
Distribution, transport	24.6%	27.1%
Services	42.5%	43.6%
Self-employed	13.5%	11.2%
Unemployment, (July 1992)	9.6%	9.7%
Gross weekly earnings: (full-time men, 1991)	£280.10	£318.90*
Education, (1991)		
Pupil/teacher ratio – primary	22.3	22.0
Pupil/teacher ratio – secondary	15.4	15.2
16-year-olds staying in education	68.4%	65.4%*
Four-year-olds in schools	87.3%	74.8%
Owner occupation: (% of housing stock)	72%	67%
Average new dwelling price (£)	63,100	76,700

*All figures 1990, unless stated otherwise; * indicates Great Britain. Sources: CSO Regional Trends 27, Employment Gazette.*

INWARD INVESTMENT: A RECORD YEAR IN 1991

A thousand projects won in the last decade

SOME of the statistics that have been coming out of Wales of recent years will surprise those more used to expecting a tale of economic woe.

■ Since the mid-1980s, the economy has, according to the Welsh Development Agency, been growing faster than that of the UK as a whole and is expected to continue to do so.

■ During this summer, Welsh unemployment actually fell below the UK average for the first time since the 1920s.

■ In the past ten years nearly 1,000 inward investment projects have been attracted, creating or safeguarding around 100,000 jobs and bringing capital investment totalling £4.7bn.

■ Last year was a record year for inward investment, with 208 projects creating or securing 17,000 jobs and capital expenditure of just over £1bn.

■ Wales, with just five per cent of the UK's population has been getting more than one fifth of the jobs and projects coming coming from abroad.

■ It now has nearly 30 per cent of all people employed in Japanese manufacturing in the UK, with no fewer than 44 Japanese companies.

Even allowing that future figures may look less positive when the impact of the continuing recession is fully reflected, Wales has had an outstanding few years in the marketplace for internationally mobile investment, with some very big corporations choosing it.

■ Bosch, the German group, has spent £100m. on a 500,000 sq. ft. factory, its biggest outside Germany, at Miskin near Cardiff, to produce a new generation of compact alternators.

■ Toyota is to produce 200,000 800cc engines a year from a £140m new plant on Deeside for the cars it is to make at Burnaston in Derbyshire.

■ Ford is putting £450m into its existing south Wales plants and will be producing 530,000 a year of its new Zeta engines at Bridgend. Altogether more than £1.3bn has been spent by automotive component makers in Wales since 1983.

■ Dow Corning at Barry, and Sony at Bridgend are both spending around £150m to upgrade existing facilities, and other companies have moved in to acquire large-scale assets which other companies have decided to release.

Against this background, it is perhaps understandable that the formula whereby Wales – along with Scotland and Northern Ireland – receives a proportionately higher share of UK public expenditure per head than England is apparently to be looked at again in this autumn's Treasury spending review.

Within Wales, however, opponents of such a move are likely to point out that the task of restructuring the Welsh economy remains only partially complete. While the big new projects have brought in hundreds of jobs, the losses elsewhere have continued and, indeed, risen again in recent months. Apart from those that will go when British Coal closes a further two collieries in south Wales shortly, some 400 jobs have gone in the last few years at television contractors HTV, in the previously fast-expanding Welsh media sector.

Other jobs have gone, or are going, not just in Barry Docks with the move by Geest from its long-established Welsh base to Southampton, but also in the health service at Cardiff Royal Infirmary, at British Aerospace in Hawarden and at Hotpoint in Llandudno.

A threat hangs over part of the BP Baglan Bay complex and there have been cutbacks even in expanding areas, such as electronics, where one of the leading Welsh-owned companies, AB Electronics, has been forced to trim back operations.

Employment opportunities vary markedly, too, in different parts of Wales, with the south Wales coastal belt, particularly the Newport-Cardiff-Bridgend nexus, and the north east corner of Wales, around Wrexham, benefitting from good communications and the services and labour available in nearby big population centres.

In the south Wales valleys and rural Wales new investment has proved much harder to obtain, and some pockets of high unemployment and acute deprivation remain.

Dow Corning is investing £150m to expand its silicone manufacturing capacity at Barry in south Wales

THE challenges are going to become even greater, too, over the rest of this decade, and not just in areas outside the favoured M4 corridor. One of Wales's attractions has undoubtedly been the availability of relatively low cost male and female labour, but, as John Hockey of surveyors, Henry Butcher, in Cardiff points out, former Eastern block countries, such as Poland, are now stepping up their efforts to attract mobile manufacturing projects, adding to the competition Wales already faces from other parts of Britain and of Western Europe, such as Spain, Portugal, and the south of France.

And although one of the reasons for Wales's success in attracting new companies from around the world has been low overheads, much is also going to depend on where sterling settles in relation to other European currencies and the dollar.

Yet, although conditions are going to remain difficult there are good reasons for the WDA, and its sister body in rural areas, Mid-Wales Development, to feel optimistic that the groundwork they have laid will ensure continuing competitiveness in the battle for investment.

The objective over recent years has, of necessity, been to bring in large-scale manufacturing projects capable of providing the jobs – and in particular the male jobs – needed to replace those being lost. The approach has, however, been much more than simply grant-based.

The WDA since its creation has been behind a big programme of removing industrial dereliction in Wales to create a greatly improved environment for incoming industry, and has recently turned its attention to assisting in the improvement of the townscape in a number of Welsh towns. There has also been a big improvement in Welsh road communications. The rebuilt A55 along the north Wales coast gives the rural north a fast link with the English motorway system, and by 1996 south Wales will be linked to England by a second Severn crossing. The possible benefits this will bring have already been foreshadowed by the recent announcement from Tesco that it would be building a very large distribution depot near the Welsh landfall.

The strategy for attracting investment has been a selective one, too, with the intention of building on core competencies already in Wales. In this way it is hoped, as Mr Ian Rooks, WDA executive director, marketing, points out, that a nucleus can be created around which other similar businesses will cluster.

This approach has clearly worked not just in automotive components and electronics, but in aerospace itself, where a number of important developments have taken place. General Electric of the US has acquired British Airways engine overhaul facilities at Nantgarw, near Pontypridd, while British Airways itself has chosen Cardiff Airport as the location for a £100m aircraft maintenance facility to handle its Boeing 747 fleet. It is also building a £23m. new avionics servicing centre at nearby Llantrisant. As a result, Wales now has more than 5 per cent of UK employment in this sector, having previously been under-represented.

The approach adopted by Welsh Development International, the WDA's inward investment arm, is according to Mr Rooks, not simply to trawl for whatever is available but to research developments taking place, even in industrial sectors which might be passing through a temporary downturn. A package is then put to leading manufacturers showing how they could benefit from picking Wales for expanding in growing product areas.

CONSIDERABLE effort has also been put into analysing the industries which might be suitable for different parts of Wates. The decision by US company, Euro DPC, to move from Oxfordshire to Gwynedd will be used as a lever to encourage other similar high value, low bulk medical equipment producers to move into the clean environment of north Wales. West Wales, it is hoped, can develop further its involvement in the food industry.

South east Wales has already attracted a number of financial services companies' back-office operations, and Cardiff has seen strong growth in legal and accountancy services. As yet the city has attracted relatively little foreign banking interest but this may come with the expansion of overseas manufacturing within Wales.

Another area that has yet to develop to the extent that the WDA would like is research and development, though there are signs that some of the more long-standing inward investors are beginning to locate parts of their research activities to Wales. Sony will be including research facilities in its new investment project in Bridgend. To help improve the Welsh research profile, the WDA has persuaded Imperial College, London, to join it and Newport borough council in creating a science park outside Newport which will bring the research resources of the college within easy reach of Welsh firms.

It is undoubtedly a reflection of British industry's own problems that few of the very big moves into Wales of recent years have been by UK-owned concerns. The companies that have come from overseas have come, however, with the intention of serving not just the British market but the single European market as well.

In the process Wales has managed to secure for itself not just a more diversified industrial base but one which, perhaps just as significantly, has a wide spread of markets, too.

Rhys David

More business parks in mid Wales

Europe's 'finest facilities' claim

AT THE START of last May, the Development Board for Rural Wales unveiled its latest business park at Penrhyndeudraeth, little more than a stone's throw from the burial site of David Lloyd George, one-time prime minister and one of Wales's greatest sons, *writes Anthony Moreton.*

Glyn Davies, the ebullient chairman of the board, said at the launch that the park was part of the strategy of marketing the whole of rural mid Wales as one coherent business park.

"We have the finest facilities in Britain," he said, "the best quality of life and the right atmosphere in which businesses can operate profitably."

Several business parks have already been created in this vast area, which stretches from the northernmost tip of industrial south Wales to the edges of Snowdonia in the north, from Cardigan bay to the English border in the east. Some of these parks, such as that at Newtown, have been highly successful in helping create employment and economic activity in their locality.

The problem which the board initially faced was rejuvenating small towns, such as Llanidloes, Aberystwyth, Bala and Brecon, where there were insufficient jobs to hold, let alone attract, young people.

It has also increasingly had to take into account the rundown in farming, with its consequent depressant effect on incomes.

Having managed to arrest the decline in numbers – aided, it has to be admitted, by a considerable number of incomers – and stimulated new businesses, Glyn Davies's team at Newtown developed a new strategy for the 1990s in which the emphasis was placed on focused investment.

"We're focusing our activities on six growth areas – Aberystwyth, the Ffestiniog valley, Brecon, central Powys, Newtown and Welshpool – and 12 special towns, ranging from Cardigan in the west to Presteigne on the English border.

"This way we should ensure that the maximum number of people will benefit from the new jobs and community facilities we are either providing or helping to provide."

Economic recovery

continued from page 1:
so far as to describe the collapse of confidence as "startling and dramatic, indicating bad news for the economy for the foreseeable future."

Another Cardiff-based accountant, Mr Hugh Thomas, senior partner of Price Waterhouse, claims that while Wales has fared better than areas such as the south-east of England, the effect of a post-election buzz has been was short-lived.

"Wales still has a long way to go towards achieving prosperity," he states. The position is unlikely to get better for 18 months, suggests Mr Paul Sheldon, chief executive of the South Glamorgan TEC.

The benefits being achieved by schemes such as the Valleys Initiative of former secretary of state, Peter Walker, have also been called into question. A recent report by two Cardiff academics argues that the initiative was largely a marketing exercise, packaging together policies and projects already in existence, without the substantial extra funds needed to make it work.

Unemployment in a number of towns such as Holyhead, Merthyr Tydfil, Aberdare, Haverfordwest, Bangor and Llanelli hovers around the 20 per cent mark, while low pay continues to be a depressant, a consequence in part of the large numbers employed in the public sector. Nor are the problems confined to the older industrial areas. Agriculture remains depressed with farm incomes last year, while marginally higher than in 1990, still 25 per cent down on 1989 levels. Meanwhile, tourism in south Wales has been helped by the highly successful garden festival in Ebbw Vale.

The Institute of Welsh Affairs, an independent think-tank, has set up a steering group, Wales 2010, to try to chart an economic development plan which will equip Wales for self-sustaining growth in the 21st century. Its chairman, Mr Gareth Jones, says the group is "seeking to develop a successful strategic intent and direction for Wales, which will not only produce a significantly higher GDP but also improve the quality of life." It is a direction everyone in Wales wants to travel.

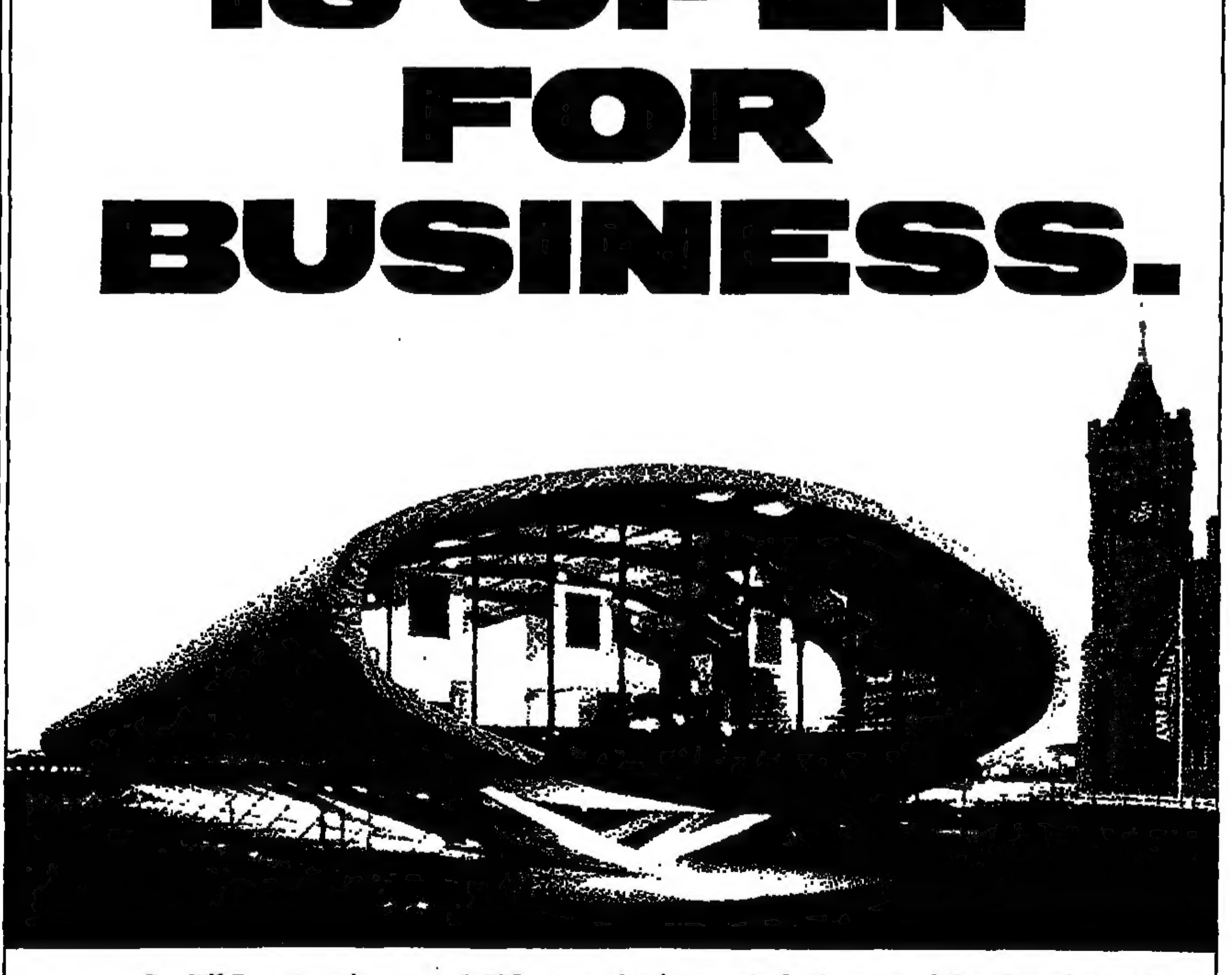
Travel times by road between UK centres

Travel times between leading UK centres and Welsh business and industrial areas are shorter than often realised:

■ **From South Wales (Cardiff) to:**
- London: 2 hrs 30 mins.
- Heathrow airport: 1 hr. 50 mins.
- Birmingham: 2 hrs.
- Manchester: 3 hrs.

■ **From North Wales (Wrexham) to:**
- London, 4 hrs.
- Birmingham, 2 hrs.
- Manchester, 40 mins.
- Cardiff, 3 hrs. 20 mins.

Source: Welsh Development Agency.



WALES 4

"The garden festival factor" helps to attract visitors

A significant boost for tourism

THE WALES Tourist Board is calling it "the garden festival factor." Hotel and guest houses bookings in Wales were 2 per cent up in July, compared with last year, as against a decline of 6 per cent in England and a 2 per cent fall in Scotland, according to the most recently published figures.

Paul Loveluck, chief executive of the WTB, is in no doubt that the government-backed annual Garden Festival, located this year at Ebbw Vale in the south Wales valleys, has given a significant boost to Welsh tourism activity and helped shield sections of the industry from the worst of the recession.

The festival has been huge success. Despite the weather – rainfall in August was 81 per cent above average – it is well on its way towards meeting its target of 2m visitors. Hotels and guest houses in south and mid Wales were reporting a 6 per cent increase in occupancy in July, whereas in north Wales the figures were indicating a 6 per cent drop in bookings, Mr Loveluck explains.

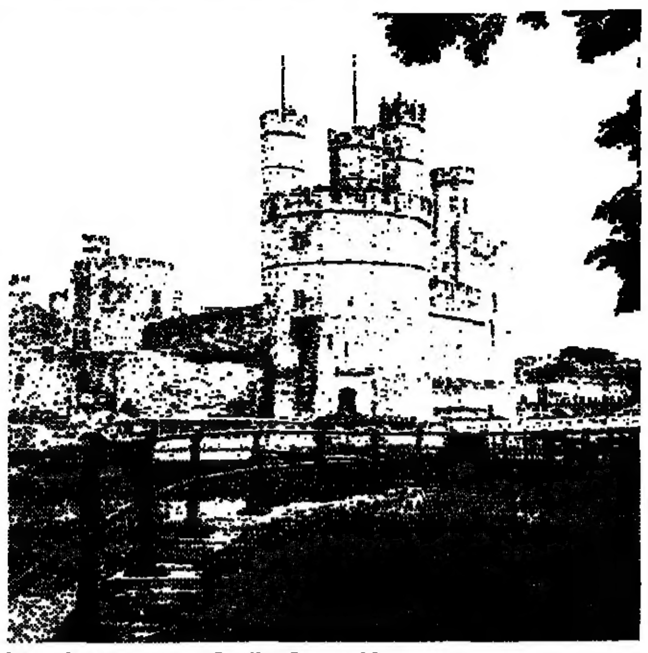
Tourism has long been a key component of the Welsh economy: it now generates £1.3bn a year

Tourist attractions in Wales

The number of visitors attracted to museums, country parks and wildlife parks in Wales last year was as follows:

MUSEUMS	
James Pringle Weavers, Llanfair PG	385,854
Portmeirion, Penrhyndeudraeth	285,461
Llechwedd Slate Caverns, Blaenau Ffestiniog	248,416
National Museum of Wales, Cardiff	221,737
Royal Welch Fusiliers Museum, Caernarfon Castle	202,387
Swansea Maritime and Industrial Museum	190,247
Daniel Owen Centre Art Gallery, Mold	189,041*
COUNTRY PARKS	
Padarn, Llanberis	450,000*
Pembrey	386,000
Swallow Falls, Betws-y-coed	261,783
Margam	222,152
Bryn Bach, Tredegar	211,064 *
Dan-yr-Ogof, Abercraf	200,000
Loggerheads, Mold	200,000*
WILDLIFE PARKS	
Penscynor Wildlife Park, Neath	289,000
Welsh Mountain Zoo, Colwyn Bay	195,260
Anglesey Sea Zoo	190,000

*Estimates. Source: Wales Tourist Board



Historic Caernarvon Castle, Gwynedd

Tourism has long been a key component of the Welsh economy. During the 1980s it assumed even greater importance, as employment in Wales' traditional industries contracted. These days the industry generates a total revenue of about £1.3bn annually, and supports about 95,000 jobs, or 9 per cent of all employment in Wales. Between 1982 and 1987, tourism created an average of about 1,500 jobs per annum.

In 1990, the number of visits to Wales by domestic tourists fell back sharply to 8.3m from 9.4m the previous year. However, last year there was a recovery to 8.7m visits, on top of which there were some 640,000 overseas visitors who spent an estimated £130m, and an estimated 32m leisure trips by day visitors whose expenditure is calculated at around £229m.

As these figures indicate, the Wales tourist industry has clearly not escaped the effects of the recession. In particular, outside the hotels and guest-house sector, the signs are that things are getting worse.

During June, holiday caravan park bookings fell sharply by a worrying 14 per cent. The number of visitors to tourist attractions was also 10 per cent down during the same month from 1.36m to 1.16m. In terms of volume, the recession is catching up with us, Mr Loveluck admits.

However, he stresses that at this stage the industry is neither alarmed nor downhearted. To start with, the drop in visitors to traditional tourist attractions is due in part to the fact that many end-of-term school trips which normally boost visitor numbers in June, were this year diverted to the garden festival.

But the garden festival promises also to have a beneficial effect long-term. Some 70 per cent of visitors to Ebbw Vale said they intended coming back to Wales. Information on these visitors is being incorporated into the WTB's data-base for use in future marketing campaigns.

Second, the industry has been enjoying good levels of investment. Since June 1988, grants and loans awarded by the WTB under section 4 of the 1969 Tourism Act have generated a total of some £120m in capital investment projects designed to improve the quality and range of Wales's tourist facilities.

Third, the Welsh Office has authorised the Board to step up investment incentives in the farmhouse and guesthouse sector, with a view to maintaining capital investment improvements in the recession. Some £1.25m has been earmarked for enhanced capital grants over the next 18 months. The average rate of grant will be 30 per cent of project cost, but up to 50 per cent will be available towards the cost of electronic equipment necessary for today's successful tourist business, such as computers, faxes, and telephone answering machines. This scheme was announced in July and the number of enquiries is already been encouraging.

A fourth ground for optimism is the success of Wales's Welcome Host scheme. Welcome Host is a network of 70 trainers who offer a one day training module to assist whole communities to make visitors to Wales feel more welcome.

The idea originated in British Colombia in 1986 as the Super Host scheme at the Vancouver Expo. It crossed the Pacific to become New Zealand's Kiwi Host scheme, but Wales is the first country in Europe to introduce this new idea in customer care.

Aimed at all who come into contact with visitors, the beneficiaries of the Welcome Host training programme include the staff at Garden Festival Wales, some 200 Cardiff taxi drivers and staff of the Midland Bank in Wales.

Marks and Spencer is among the companies which are about to sign up on behalf of their staff. Such has been the interest in the scheme, the WTB is planning to hold a seminar later this year to explain its principles to organisations from other parts of the UK. In the meantime, the WTB has made attendance on a Welcome Host course a condition of any financial assistance.

Fifth, the Welsh Office has made an extra £2.5m a year available over the next three years to increase the WTB's marketing activities. Some £1.7m of the total is earmarked for image building in the north-west, Midlands, M4 corridor and the south-east.

Volume and value of tourism in Wales*

Type of tourism	Trips	Nights	Expenditure
Domestic tourism	8.7m	41m	£900m
Overseas tourism	0.7m	5.4m	£130m
Day visits	32m	–	£229m

* Figures for 1991: source: Wales Tourist Board

Using both poster and TV advertising, the board's campaign will highlight Wales's striking scenery, peace and tranquility, and easy paced sophistication. It will be particularly aimed at those people who do not at present put Wales on their holiday shopping list.

One of the strengths of the Welsh tourist industry is that it has a very loyal customer base. Visitors come back time and again for their holidays. And response rates from recent marketing campaigns have been exceptionally good. The board commissioned a tracking survey in 1990 and established that 45 per cent of people who asked for a copy of its holiday brochure subsequently came to Wales for a holiday.

In these circumstances, there will be no let up in the board's direct mail effort. The board has 1.5m names on its direct mail data-base and is continually adding to it by buying in fresh data, confident that it knows enough about the Wales tourist industry's customer profile to improve its response rate.

Last but not least, the decision of the government to grant the Wales Tourist Board the same overseas marketing powers as the Scottish Tourist Board is also a welcome boost for the industry. The board intends to continue working in close co-operation with the British Tourist Board. However, the new powers will enable the board, for example, to work in cooperation with the Welsh Development Agency on joint promotions.

A start is being made this autumn when the two organisations take advantage of a concert tour by the BBC Welsh Symphony Orchestra to Paris, Amsterdam and Brussels, to promote the virtues of Wales for both business and pleasure in three key European markets.

Robin Reeves

Growing public interest in historic sites, treasure trove and works of art

New approach to nation's heritage

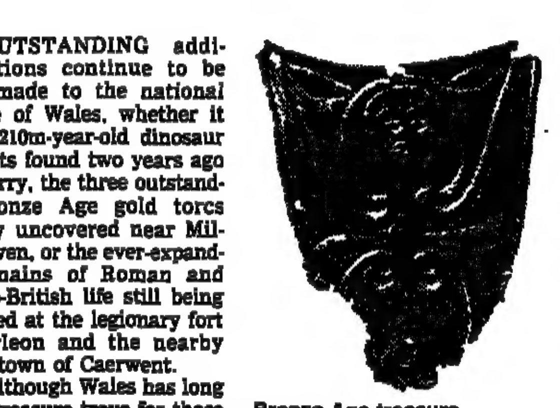
OUTSTANDING additions continue to be made to the national heritage of Wales, whether it be the 210m-year-old dinosaur footprints found two years ago near Barry, the three outstanding Bronze Age gold torcs recently uncovered near Milford Haven, or the ever-expanding remains of Roman and Romano-British life still being excavated at the legionary fort of Caerleon and the nearby Roman town of Caerwent.

Yet, although Wales has long been a treasure trove for those interested in learning about man and his accomplishments, the ways in which much of the information has been presented has – with some notable exceptions – often been as likely to discourage as to encourage the casual observer from inquiring further.

The revolution that has now taken place in the way Wales's past is being presented is the result of a number of factors happily co-inciding.

Interest in the past has grown, fostered by books, articles in the press and television programmes. At the same time, growth in visitors during the 1980s has brought with it a rising demand for access to historic monuments and other buildings, including relics of Britain's great industrial era, developments in which Wales was at the forefront.

The two main bodies in Wales charged with preserving and interpreting the nation's heritage, the National Museum, and Cadw, the equivalent of English Heritage, have responded to this challenge with a re-think both in attitudes and approach, as, too, have a number of private owners.



Bronze Age treasure

The National Museum has been nursed back to financial health by its new director, Mr Alistair Wilson, who has overseen an investment programme designed to make the museum one of the finest in Europe.

Under this, the main building in Cardiff's Cathays Park, the foundation stone for which was laid by George V in 1926, will finally be completed next October, when the last stages of a £26m scheme, doubling its size, are finished.

This will add a further six centre block galleries, totaling 85,000 sq ft, to two new galleries recently completed in the east wing, giving the museum the space it has long needed to display its collections to the full and to the highest standards.

The museum will, as a result, be able to mount for the first time a comprehensive display of art, including its renowned Impressionist collection, (the bequest of two Welsh sisters Gwendoline and Margaret Davies), other older works and its paintings by Welsh artists such as Richard Wilson, Thomas Jones, Augustus and Gwen John, and Ceri Richards.

Popularity of National Museum sites

The number of visitors to each site in a year was:

- Cathays Park, Cardiff: 221,737
- Welsh Industrial and Maritime Museum, Cardiff: 40,670
- Welsh Folk Museum, St. Fagans: 289,260
- Amgueddfa'r Gogledd, Llanberis: 54,530
- Welsh Woollen Industry Museum, Felindre: 17,169
- Roman Legionary Museum, Caerleon: 32,291
- Turner House, Penarth: 11,165
- Graham Sutherland Gallery, Dyfed: 6,811

Figures for 1990-91; source, National Museum of Wales

Other developments made possible by the large increase in space are a new Welsh ceramics gallery to house the museum's extensive collection of Nantgarw and Swansea porcelain.

A number of important additions have recently been made to this from the £1.1m auction of the collection of Sir Leslie Joseph, the Welsh former vice-chairman of Trusthouse Forte.

The growth in visitors has brought with it a rising demand for access to historic sites

Though some critics have accused the museum of an excessively conservative approach, and of failing to pay enough attention to Wales's indigenous cultural heritage, the result is an impressive addition to the visual arts in Wales.

Ahead of these latest developments, the museum has been attracting greatly increased numbers of visitors through imaginative temporary exhibitions, sometimes shared with other museums elsewhere in Europe and often designed to appeal specifically to younger people.

A successful dinosaur exhibition has been followed by another on the Ice Age featuring woolly mammoths. The museum was also one of the venues for a touring exhibition of the Queen's Windsor Castle collection of paintings, and last year produced its biggest ever temporary exhibition, on the Celts in Wales, much of it using material usually stored.

This policy has helped to attract more than 200,000 people to the main museum annually, enabling it to recover from a sharp downturn after the introduction of charges in 1989.

Total visitors to all the museum's sites – which include a north Wales branch, Oriel Eryri, and specialist museums on Welsh folklife and on various aspects of Wales's industrial past at locations around Wales – are running at around 800,000 a year, with a target for this to grow to 1m.

A new permanent exhibition on Man and the Environment exemplifies the move away from the traditional glass-case approach.

This brings together a number of the museum's exhibits, including the largest Leatherback Turtle ever found – washed ashore on Harlech beach in north Wales – and uses the latest audio-visual techniques.

Cadw (the Welsh word for save) was set up in 1984 to take over the management of 127 historic monuments and buildings (out of a total of 2,700 altogether in Wales) in the care of the secretary of state.

It also carries out a range of statutory responsibilities for preserving, conserving and promoting the Principality's built inheritance.

An executive agency of the Welsh Office since 1991, Cadw has, like the museum, sought to inject greater energy into the presentation and preservation of Wales's past.

Visitor centres, which put developments their historical context, have been added at the main monuments and a survey is being undertaken at all the sites in Cadw's care to see how they should best be presented to the public.

At the bigger sites permanent exhibitions and seasonal events have been introduced, together with shops offering relevant, and where possible, locally-made, products.

Acquisitions of important sites continue to be made. Cadw has recently acquired Plas Mawr in the heart of Conwy's walled town, the finest surviving example of a 16th century town house in Wales.

Formerly owned by Lord Mostyn and leased to the Royal Cambrian Academy of Art, the building contains a fine Jacobean ceiling, and, when the first stage of restoration is completed in 1995, it will be presented as it appeared about 1700.

Cadw is also responsible for administering in Wales applications for grant assistance for historic buildings.

Among its biggest beneficiaries is the National Trust, which received more than £1m last year towards the cost of maintaining its properties.

Cadw's attention is also being focused on townscapes within urban conservation areas. Though lacking the mediaeval buildings which are feature of many historic English towns, Wales is full of interesting Victorian buildings and streets, the virtues of which are in many cases only belatedly being recognised. Last year grants worth some £646,000, funded jointly by Cadw and local authorities, were made in support of 23 town schemes.

Working through four regional archaeological trusts, Cadw also provides finance for rescue digs at sites throughout Wales. The Second Severn crossing, east of Newport has already proved to be a rich source of discoveries from palaeolithic, bronze age and Roman times, including what could be bronze age fish traps.

Sadly, in two important areas, Wales's more recent past continues to disappear or suffer grievous damage. The decline in religious observance and the movement of population from older industrial areas has left many of Wales's fine chapels high and dry, or converted to unsuitable uses, such as tyre depots or carpet warehouses.

The vast miners' institutes, complete with libraries and a range of social and other function rooms, which dominated former pit communities, are also now largely disused, though one at least is being moved from Oakdale, in Gwent, to a new home at the Welsh Folk Museum in St. Fagans.

The help Cadw can provide, however, is limited. Because most of the buildings remain in private hands, their only safeguard is listed building status, and where no viable future use can be found this is very often not enough to prevent demolition.

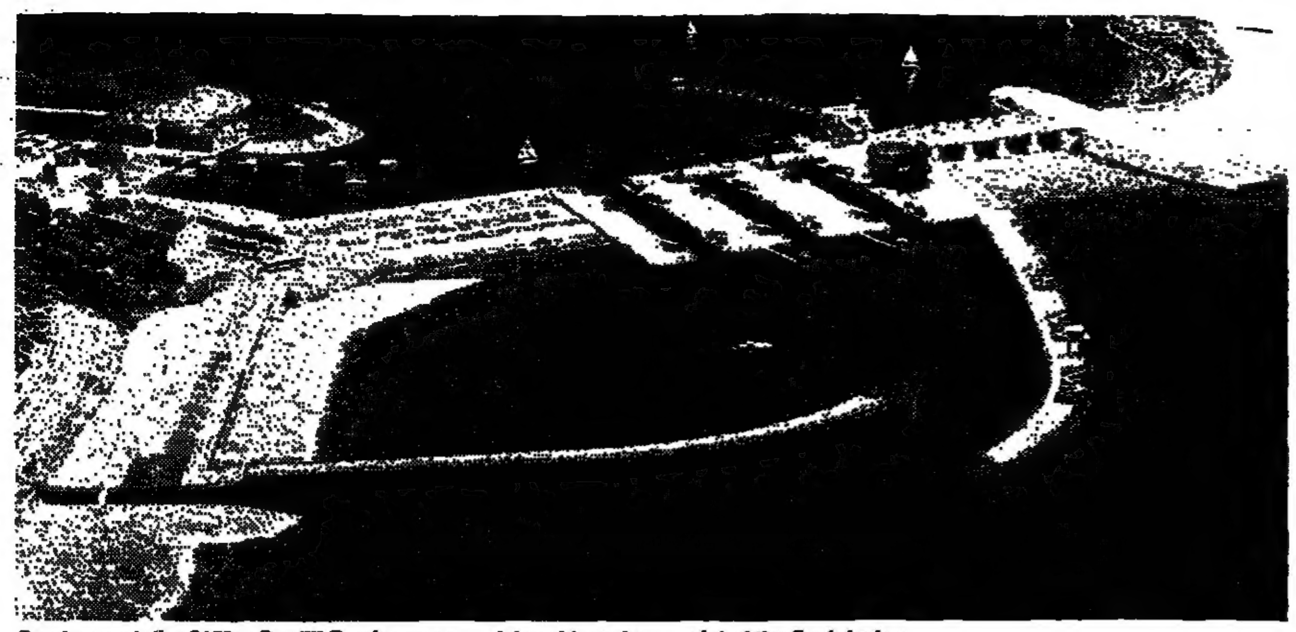
Because of the nature of its attractions Cadw is probably more dependent on overseas visitors than the National Museum and the past financial year has been disappointing, Cadw's chief executive, John Carr, admits. With fewer American visitors last year because of the Gulf War, total admissions to Cadw properties fell by 11.7 per cent to just under 1.3m, with revenue also slightly down.

There are still hopes for a recovery in the present year, though the high sterling-dollar relationship and poor August weather may well prevent this. The improvement that has taken place in the facilities on offer seems likely to have laid much of the groundwork, however, for a strong recovery when the economy does pick up again.

Rhys David

Swansea's £16m barrage will lead to new riverbank projects

A dream comes true



Coming next: the £150m Cardiff Bay barrage — pictured here is a model of the final design

EIGHTEEN YEARS ago the city fathers and planners in Swansea had a dream. They envisaged a city in which the Tawe, the city's river, would be transformed by a barrage, offering the chance the develop the river banks for work and housing.

Eighteen years on that dream has come true. At the end of July, a £16m barrage was completed, and the river now has reasonably constant level of water. Industry has been attracted, and there are plans to develop the run-down eastern bank in a setting suitable for the 21st century.

Swansea's dream is being entertained, too, elsewhere in south Wales. Both Cardiff and Newport want to put barrages at their entrances, in Cardiff across the bay and in Newport across the Usk. But both have run into opposition.

In Swansea, completion of the barrage has created the basis for a big expansion along the riverbank. The area is already unrecognisable from the run-down shabbiness that characterised it for so long after the end of the second world war. According to Mr Ken Jones, assistant city engineer, it now has the potential to become one of the most exciting cities in Britain.

The magnitude of Swansea's problem was enormous, as it was in its two Welsh neighbours. Like Cardiff and Newport, it had seen its dock trade, largely based on coal and metals, all but disappear, with little coming to replace it.

Swansea suffered doubly from the nature of its industrial past. In the 18th century, it was the centre of the world's metal industry, housing hundreds of copper, lead, zinc and silver smelting operations. When these industries moved nearer their sources of supply a hundred years ago, they were replaced by iron, steel, tinplate and chemicals.

These, too, eventually moved on and in 1945 the lower Swansea valley had become Britain's largest single area of industrial dereliction.

Today, Swansea is a very different place. Its enterprise park has attracted more than 400 companies and almost 8,000 workers; its marina, on the west side of the barrage, is a thriving community, full of boats; the city centre is being developed attractively.

What the barrage, the first to be completed in Britain, will do is to unlock the development potential of the Tawe some two miles upstream as far as Morriston. It will act as a dam, creating a reliable level of water. The difference behind it between high and low water is now about 2ft: previously it was 30ft on a high tide. The barrage will also operate a water-driven turbine to generate electricity and allow pleasure craft to ply the river through the lock system.

With Swansea nominated as European City of Literature for 1995 there are plans, in conjunction with the Welsh Development Agency, which has backed the barrage project in many ways, to create a publishing park. Other investment has already been stimulated: a 40,000 sq ft office block for instance, by Andrew Scott, of Port Talbot, the first in the city for years. There are also plans for an archeological park to commemorate the city's industrial past, a hotel and a tourist centre.

"The most important thing, though," says Mr John Churchill, the city's director of trade and industry, "is to make sure that the river ends the divide between the prosperous western side of the city and the run-down eastern bank."

Ambitious plans to develop the eastern side have been put forward by Grosvenor Waterside, the property-development arm of Associated British Ports, in conjunction with the city itself and British Rail.

Housing is to be linked to the existing marina across the river and there will be the usual mix of leisure activities, commercial developments, open spaces and offices designed to attract major national companies to the city.

Port Tawe, the name given to this development, "will reflect the maritime theme of Swansea," says Grosvenor Waterside.

Although he does not admit it, Mr Geoffrey Inkin, chairman of Cardiff Bay Development Corporation, must be envious of the way Swansea has got there first. Despite massive support from the government, the passage of the private Bill to allow the £150m Cardiff barrage to go ahead has been bedevilled by a long-drawn-out parliamentary procedure.

The result has been to delay the start of work for at least two years, though Mr Inkin, whose enthusiasm for the scheme remains undiminished despite the problems, not just of parliamentary opposition but also of the collapse of the British property market, says the period has not been wasted – "an enormous amount of preparatory work has gone ahead," he says, "and when the Bill is passed we shall be ready to push the button from day one."

WITH government support, it is thought likely the Bill will receive royal assent some time early in the new year – "then you'll see us move," Mr Inkin says. "The interesting thing is that investor-interest in Cardiff has remained very high despite our problems."

That view is supported by Mr Freddie Watson, executive director of Grosvenor Waterside in Cardiff – "the property market may be flat elsewhere in Britain but down here we are doing 100mph."

Grosvenor has pre-let 250,000 sq ft of office space on its development within Cardiff Bay even without the assurance of the barrage. Half of that has gone to the Welsh Health Common Services Authority and the remainder to NCM Credit Insurance, the Dutch company which late last year bought Export Credits Guarantee Department's short-term insurance arm.

Newport is also facing a struggle to get its private Bill through parliament. Its opposition is not so much from MPs but from outside interests, especially fishing interests and the National Rivers Authority, both of which fear a barrage across the Usk would affect fishing in one of Britain's premier salmon rivers.

Mr Roger Davies, head of urban development at Newport, believes "we have designed the barrage in such a way that fish will continue to run the river. There will be tidal intrusions on 60 per cent of tides for two to two and a half hours a day. Like Swansea, we shall also have fish locks to allow access into and out of the river."

The proposed £72m barrage is part of a scheme not just to enhance the development potential of a run-down part of the town but also of a southern road link which will take pressure off the M4 motorway which runs across the north of the town – "although the scheme is publicly funded at the moment," says Mr Davies, "several companies have expressed interest in jointly funding it."

The barrage could eventually create 5,000 jobs and 2,000 houses in a neglected part of the town. Lovell, Wimpey, Tarmac, Regalian and Blue Circle are among the companies that have all expressed interest in the area – "we need the barrage to regenerate the waterside," says Mr Davies. It is a view held equally forcefully by Swansea's Ken Jones and Cardiff's Geoffrey Inkin.

Anthony Moreton

The changing shape of local government

Reform plans are well-advanced

TOMORROW MORNING, councillors and officials representing the district and country councils in Wales sit down in London with Mr David Hunt, the Welsh secretary, to discuss the future shape of local government in the country for the last time before Mr Hunt produces his white paper on the subject later this autumn.

It will be the councillors' final chance to influence the shape of local government in the next century. Wales is well ahead of England in this process and if the government's timetable is met the new shadow councils should be in place by May 1994, and operating from the spring of the following year.

Some decisions are already known. Wales will be governed by unitary authorities. The present two-tier system of county and district councils will be replaced by single-purpose, unitary authorities.

'The key to the whole reform must be to relate local activities to the people of Wales'

It is also clear that Mr Hunt does not intend to accede to any of the calls for an elected assembly for Wales. Other matters are, however, still to be resolved, including the number of councils.

Two recent consultation papers, on education and community councils, suggest Mr Hunt has settled on 28. When he produced his first proposals for a review of local government in June 1991 he offered three options – 13, 20 or 24 unitary authorities to replace the eight existing counties and 37 districts. His preferred option was 20.

By now opting for the higher end, Mr Hunt has gone a long way towards meeting the demands of the districts, who once they had seen that reform was going to be introduced, with or without their acquiescence, agreed that to argue for the protection of the present 37 councils was not a viable option.

This decision, reached just over a year ago, was crucial, since it allowed the districts to outflank the eight counties which, until a late stage, continued to press for their existing number and their members to be the basis of reform.

Not that the districts willingly, at first, agreed to ditching any of their members. It was only after a lot of banging of heads, and then reluctantly, that the districts agreed some should go to the wall. Eventually, the Council of Welsh Districts suggested between 25 and 30 with a preferred option of 27.

"The key to the whole reform must be to relate local activities to the people," say Mr Geraint Price-Thomas, under secretary (Wales) of the Association of District Councils. "This means making them acceptable to the people."

The counties do not disagree. Mr Hugh Thomas, secretary of the Assembly of Welsh Counties and chief executive of Mid Glamorgan County Council, says: "We are concerned at delivering a service to the community that should be efficient and cost effective."

After their initial exercise in digging in heels by advocating their number – eight – should be retained the counties have shifted, rather late in the day, to suggesting there should be 16.

The eight chief executives have, however, been sufficiently concerned at the way the whole issue of reform has been going to publish a paper expressing, independently of the elected members, their own deep concern.

"The case for change must rest on whether any proposed change will secure sufficiently worthwhile improvements," they say.

In a strongly worded attack, they complain that "the proposals emerging indicate a lack of integrated consideration of local government's purpose, functions, financing, internal management and structure. Democratic accountability will be undermined, be administratively unwieldy and be less understood by local people than at present."

They conclude that if the concept of unitary authority is to be implemented in accordance with the government's principles – democratic accountability; responsive to local needs; clearly understood; strengthened community loyalties; efficient services – the solution lies with larger unitary authorities than Mr Hunt has proposed.

This might seem like special pleading from a body of men and women that stand to lose most by the proposed reforms – except that it has been backed by the business community. The Confederation of British Industry has expressed "serious misgivings" about the proposal to have over 20 councils.

Accepting the government's position that reform should be cost-neutral the CBI claims the handling of strategic issues could be fragmented if the number of authorities were to be too large and that the small Welsh authorities "may also be at a disadvantage compared to the English counties."

The calls for an elected assembly come mainly from Labour, the dominant political force in Wales. It controls 27 of the country's 38 parliamentary seats. It also controls five of the eight counties and 18 of the 37 districts.

Wales is well ahead of England in the reform process which could be operating by early 1995

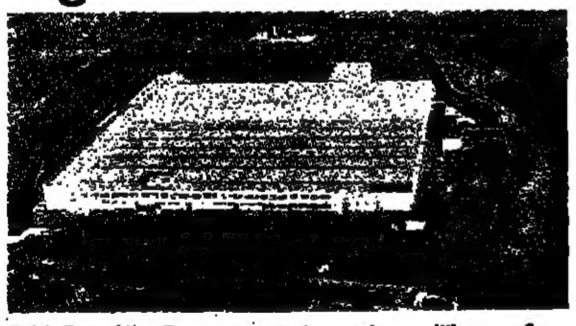
Not that a unified approach would be easy, anyway, since it is the policy of Plaid Cymru, the Welsh nationalists, to bypass an assembly and go directly for an independent Wales within the European community.

Since the nationalists are a minority force in their own country, despite winning a fourth seat at last April's general election, polling slightly under 10 per cent of the popular vote and trailing not just Labour and the Conservatives but also the Liberal Democrats, this policy is as much dead in the water at the moment as an elected assembly.

That leaves Mr Hunt, born in Wales but brought up in Liverpool and representing an English constituency, calling all the shots despite having just six Conservative seats in the principality.

Mr Hunt smiles a lot and gets on well with his political opponents. But behind the bonhomie is a steely resolve. He will get what he wants for Wales, which is why this autumn's white paper is awaited so keenly.

Anthony Moreton



MR JOHN MAJOR, the prime minister, visited Wales earlier this month and spent some time on a hill farm discussing the state of the agricultural industry.

Far from winning praise for his initiative, however, Mr Major was accused by some Welsh farmers of avoiding hearing about the near-bankrupt state of the industry by visiting an unrepresentative model farm of more than 600 acres, and not a more typical Welsh hill farm of 40 to 150 acres.

This sour reaction is a measure of the extent to which Welsh farmers these days feel under siege. It is not only because of the recession, though that is bad enough. Farm incomes last year, while marginally higher than 1990 were still 25 per cent down on 1989 levels.

In some sectors, most notably hill farming, which accounts for some 80 per cent of Wales's land area, average incomes fell by 60 per cent to £144 a week, 56 per cent of the average industrial wage.

But Welsh farmers are also becoming deeply concerned about their longer-term future.

Put crudely, do they have one in a Europe now more than self-sufficient in food and determined to dismantle the marketing structures which have supported agriculture for half-a century and more?

The consequences of the Common Agricultural Policy reform package, agreed by EC Farm Ministers earlier this year, are still not clear, but from Welsh agriculture's point of view, the signs are not encouraging. The long-standing threat of a Uruguay Round GATT agreement being concluded at the expense of agricultural areas, such as Wales, remains, as does the planned winding up of the statutory Milk Marketing Board (MMB), and its replacement by a voluntary co-operative.

It will bring to an end a statutory marketing scheme which has been the financial backbone of many Welsh farms for over half a century.

Fierce debate within agricultural community

Farmers are worried

If this were not enough, many west Wales farmers are suddenly faced with losses from a totally unexpected direction – the collapse into bankruptcy of King Thomas, Lloyd Jones, a leading firm of livestock auctioneers in south west Wales.

The potential impact of CAP reform has been the subject of fierce debate within Wales's agricultural community. This is because the Farmers' Union of Wales supported the principles for reform originally adopted by Mr Raymond MacSharry, the EC Commissioner for Agriculture, whereas the National Farmers' Union supported the Government's campaign of opposition.

The FUW argued that MacSharry's fundamental aim of targeting EC support to those who need it most, allied with a more effective environmental support programme and more liberal social support measures, was the right approach. It could give the majority of farmers in Wales stability and a new sense of direction," said Mr Bob Parry, the FUW President.

The National Farmers' Union, on the other hand went along with Mr John Selwyn Gummer, the Minister of Agriculture's argument that the EC Commissioner's proposals would simply subsidise inefficient small producers, many of them in southern Europe, at the expense of the more productive and efficient farming enterprises in Britain.

In the event, the re-election of a Conservative Government to Westminster, and the return of Mr Gummer to Brussels, meant the shape of the reform package finally agreed was more to Mr Gummer's liking than Mr MacSharry's. Even so, the dilution of the MacSharry proposals at Britain's behest is already giving rise to suggestions the reform package will neither curb surpluses, nor the cost of the CAP, and that it could soon be back to square one. East Anglia's cereal growers, for example, are due to suffer a 30 per cent cut in their guaranteed prices over the next three years, but they will be shielded from its full impact by generous compensation.

WELSH farming is primarily dependent upon livestock products – sheepmeat, beef and milk – and the MacSharry proposals for discouraging output of these were also diluted during the course of the negotiations.

Combine this with cheaper feeding-stuff costs – resulting from the substantial cut in cereals prices – and it is easy to foresee a return to bigger food mountains and a fresh EC crisis over the cost of agricultural support which could be potentially even more damaging to Welsh farming prospects.

On the other hand, next time round, Welsh farmers battling to make a living on marginal land in what the EC euphemistically calls less-favoured areas, may have more friends and allies within the EC.

The government is keen to press ahead with enlargement of the Community. This would bring within the CAP's ambit the farmers of Norway and Finland, who have a strategic and social as well as food producing role in Europe's northern extremities.

The proposed winding up of the MMB is less a cause for concern than might have been the case a few years ago. Having suffered creamery closures and a number of other economic blows in recent years, Welsh dairy producers have already learned the traditional paternalism of the MMB can longer be taken for granted.

Indeed, there is widespread recognition within the farming industry in Wales that it must take more responsibility for its own marketing. With active support from organisations like the Welsh Development Agency and the Development Board for Rural Wales, hardly a month seems to pass without some new Welsh food initiative, be it the development of a new cheese, a lamb product or organic foods.

Another positive development is that Welsh farmers are becoming increasingly willing to accept the role of custodian of the countryside, as well as that of food producer. This has not always been the case – not many years ago, plans for creating a Cambrian Mountains National Park were dropped after they ran into strong opposition from local farmers.

The Government went back to the drawing board and decided instead on a different approach, creating what were designated Environmentally Sensitive Areas in which farmers would be encouraged – and assisted financially – to maintain traditional landscapes.

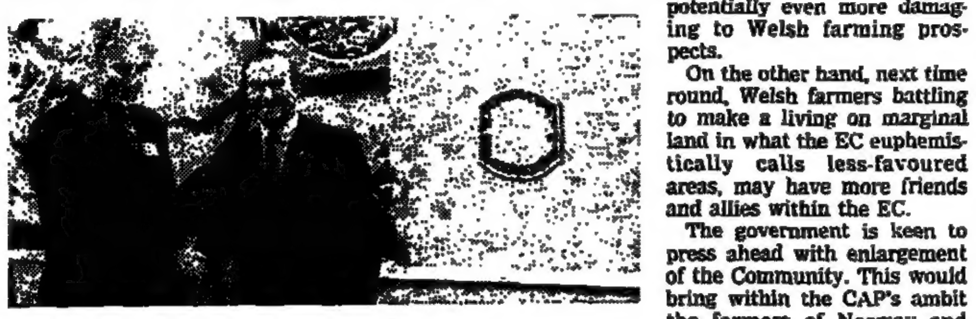
A few weeks ago, Mr David Hunt, the Welsh secretary of state announced that another four areas of Wales are to be designated as ESAs within the next 12 months – the island of Anglesey, the district of Radnor in Powys, Preseli which covers a large part of Pembrokeshire, and the Clwydian hills in north Wales.

With a section of Cambrian mountains and the Lleyn peninsula already designated, it means that some 24 per cent the land area of Wales is now being given ESA designation.

More than 800 conservation management agreements covering a total of some 64,000 hectares have already been signed by farmers in the existing two Welsh ESAs, and the Welsh Office plans to spend £6.1m on ESA conservation agreements in 1993-94 rising to £7.8m in 1995-96.

In addition, the new Countryside Council for Wales (an amalgamation of the Countryside Commission and the Nature Conservancy Council) is proposing to give the districts of Merionnydd and Dinefwr, and a large part of West Glamorgan *Tir Cymen* designation.

Robin Reeves



AND NOW: THE TWO-TONGUED DRAGON

A NEW branding identity for food produced in Wales has been launched by government-backed Welsh Food Promotions, chaired by Mr Alun Evans, pictured above with Mr David Hunt, the Welsh Secretary. The new brand image featuring a bilingual dragon logo aims to eliminate the fragmentation in the marketing of a range of Welsh products from cheeses and meat through to bottled water.

Welsh Food Promotions has participated this year at events in Barcelona and Stuttgart and at the Royal Welsh Show in Builth Wells, where a £500,000 permanent Food Hall was opened. The company has also been running a specialist food shop at the Ebbw Vale Garden Festival and a Welsh farmhouse restaurant.

Food manufacturing: an entrepreneurial case study

Eye on niche markets

FOOD manufacturing is one of the sectors in which Wales would like to expand, so, when one of the European industry giants, Nestlé, decided to dispose of its Holgates subsidiary on the mid-Wales coast, the disappointment was palpable.

At stake was a small but important stake in the manufacture of health food bars for own-label clients in the UK, Germany and elsewhere, and a total of 75 jobs – small by industry standards but crucial to tiny Tywyn.

What was proving to be little more than a distraction for the Swiss group, however, was an opportunity for a management buy-out (or more accurately a 'previous owner buy-back') for managing director, Peter Saunders. Now aged 41, and a chemical engineer by training, Saunders had started his career at BP Llandarcy, after graduating from the University of Wales, moving to Holgates (then a honey farm) as production manager in 1975 before acquiring it from the owner in 1976.

Nestlé's involvement came about more by chance than strategic planning. Rowntree Mackintosh had come across the company in the early 1980s, by which time it had branched out into honey-based confectionery items, and was impressed with the speed with which such a tiny operation could get interesting new products to market – "as a large business they were interested in the way a small concern operated. They realised it was all too easy for big companies to stifle initiative. While we could get a product on the shelves in six months it could take them years because it was too expensive for them to make a mistake. Our operation is much lower cost so we can afford to get things wrong," says Peter Saunders.

The fit with Nestle after its acquisition of Rowntree in 1988 at first seemed just as good. Holgates' principal products had now developed into a range of cereal and nut-based nutritional bars sold by major groups, such as Boots the Chemist, to slimmers as meal replacements, and to sportsmen seeking high carbohydrate or protein intake.

Peter Saunders: confident

Following the take-over, Nestlé continued to invest heavily in the company, which currently has a capacity to produce 75m bars of "nutritional", "virtuous", and "indulgent" confectionery annually at its modern plant. Eventually, it became clear, however, that a company the size of Holgates did not have a future as part of a group focusing increasingly on the development of big international food brands, and in any case was not well-suited to Nestlé's corporate style.

WITHIN Nestlé, research tended to be concentrated in centres of excellence – and product development at the Tywyn site was run down. Sales and marketing, too, were seen as group activities. Yet, for a small company serving niche markets, the ability to carry on an active product development policy and to search vigorously for its own customers was essential.

Last September, as part of the post-takeover integration of its UK operations, Nestlé announced that it wished to sell Holgates, which by that time had slipped into losses, but that if a buyer did not emerge in nine months it would be closed. In the event, the food group, which had already sold Holgates' cakes-to-preserves tourist products subsidiary, the Welsh Pantry, to Peter Saunders, quickly agreed to sell the main business as well. The terms have been kept confidential but are known to be less than £1m, reflecting the losses of £0.3m made on a turnover of £2.5m in the last full financial year under Nestlé ownership.

The deal was put together with grant aid from Mid Wales Development, following a feasibility study by accountants Touche Ross. Loan finance was made available by the Midland Bank in Newtown. Further losses are expected this year, but profits are forecast for next, even on a pessimistic reading of the recession.

With the business fully back under his control as sole shareholder, Peter Saunders intends to run it again in the way he believes right for a small entrepreneurial company serving niche markets – "I was sure the business could work, because I could see market opportunities we were not able to tackle when we were in big company ownership," he says. There has been some staff reductions, but an increase in the product development team. A senior sales appointment is also to be made.

The main focus will continue to be own-label confectionery, and attempts are being made to win other major retailers as customers. A recent new client is Eurodisney. The company is also a big supplier of ingredients to other food companies, in particular the flavoured ingredients used in the ever-widening range of ice creams.

According to Peter Saunders, however, the company's strength is that it has established itself in niches where the market is small and the competition is limited. Fortunately, too, there does not seem any very strong likelihood that interest in healthy eating – the basis on which its bar business is built – will diminish over the years ahead.

Rhys David

New commercial property developments

Weathering the storm

IMPERIAL HOUSE sits within a few hundred yards of the M4 motorway at the western edge of Newport. It is empty at the moment but has been put up speculatively as a joint venture between the Welsh Development Agency, Newport borough council and London University's Imperial College of Science and Technology as the cornerstone of Imperial Park, a science park that is intended to attract the best in the world to this corner of Wales.

Imperial House may be empty now but it is on the verge of attracting its first tenant less than three months after being opened at the end of June. A leading European concern, a world leader in its field, has talked about taking two suites for a research centre.

Imperial Park, a 50-acre site within the much larger Celtic Lakes development being undertaken by Trencherwood and the local Bassaleg Group, is intended to be the flagship property development in Wales. Celtic Lakes, a £250m business park is intended to compete with the best in Britain, according to its developers, able to stand comparison with Aztec West in Bristol, the Birmingham business park, the Solent business park at Southampton, or Stockley Park near London's Heathrow airport.

The WDA's chairman, Dr Gwyn Jones, who has already been to Japan and the Far East once to extol the virtues of Imperial Park, says: "Imperial will be a formidable force in attracting even more Japanese companies to Wales. It also enhances the prospects for indigenous business growth."

To launch a science park in the middle of the deepest property recession since the war might seem foolhardy.

But south Wales at least has managed to weather the downturn in the economy remarkably well. Mr Freddie Watson, director of Grosvenor Waterside, the property arm of Associated British Ports, in Cardiff may be excused excessive enthusiasm when he says that "although the property market in Britain is stagnant we are going at 100 miles an hour down here," but he can at least point to tangible evidence to support his claim.

Grosvenor has two pre-let projects, one from the public sector, the other from the private, amounting to 250,000sq ft. "Where can you find 250,000sq ft of pre-let property anywhere else," he beams.

Nor is it just a matter of Cardiff. Grosvenor has ambitious plans for Swansea, where the first major office building in 40 years has just been completed.

The WDA's Dr Jones says south Wales has bucked the trend in the property market, and forecasts that over £12m will have been invested in Welsh property as a result of private-sector partnerships agreed with the agency in the second quarter alone of this year. Last year the agency's joint schemes led to 800,000 sq ft of new working space being planned, a figure Dr Jones expects to see topped by at least 100,000 sq ft this year.

"There is now a more effective and efficient property market in Wales," Dr Jones says. Despite the difficulties in the property market, Wales is still attracting increasing private-sector investment."

That optimism is borne out by some figures. The WDA has reported a 45 per cent increase in lettings for the first half of the year, compared with the same period in 1991. Between January and June it let more than 1.1m sq ft of industrial and commercial space, a rise of 347,000 sq ft.

A more cautious view is taken by Mr Peter Kelly, director of Debenhams in Cardiff. "There is a gratifying amount of activity about," he says, "especially in the retail sector and among some of the locally-based developers. The two pre-lets in Cardiff Bay are very significant, and with infrastructure work on the second Severn bridge having started, the potential exists for expansion.

"But it is potential and we are not expecting any great material change in the market. The point about south Wales is that the market has stabilised and we don't expect it to decline because there is no significant area of oversupply."

Mr Bernard Ryan, chief executive of the Land Authority for Wales, sees south-east and north-east Wales as being the two areas where interest is greatest – "the North Pentwyn site in Cardiff offers great opportunities," he says. "Apart from housing and leisure interest there are 90 acres of employment land which will produce between 1m and 1.5m sq ft of space. This is being undertaken as a joint venture between the WDA, DMD, a local company, and the Italian concern, Cogefar-Impresit, a subsidiary of Fiat which built the Kariba dam in Africa.

"Other developments are taking place in Caerphilly, led by Boots the Chemist, as well as at Merthyr Tydfil and Bridgend. Generally, I am fairly optimistic about the situation."

The one area where movement is difficult is in north Wales. With the exception of the Redrow group, which is locally-based, though it operates nationally, it is being left to the smaller and medium-sized developers to sustain the market. Mr Ryan says that even in these difficult times, though, a steady flow of land is released to developers in north Wales, "which may not be headline news but it does keep the market moving. The market never drops here as it has done in England."

Anthony Moreton